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P R O C E E D I N G S

of the

SELECT COMMITTEE APPOINTED BY THE LEGISLATURE OF  
THE PROVINCE OF ONTARIO TO ENQUIRE INTO AND REPORT  
UPON MATTERS IN CONNECTION WITH TOLL ROADS IN THE  
PROVINCE.

Mr. J. P. Robarts, Q.C., Chairman,

Mr. D. J. Collins, Secretary.

- - - -

VOLUME XXXVIII

Tuesday, November 27th, 1956,

TORONTO, Ontario.

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R. C. Sturgeon,  
Official Reporter,  
Parliament Buildings,  
Toronto, Ontario.





T H I R T Y - E I G H T H   D A Y

Toronto, Ontario,  
Tuesday, November 27th, 1956,  
10:00 o'clock, a.m.

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The further proceedings of this Committee  
reconvened pursuant to adjournment.

Mr. J. P. Robarts, Q.C., Chairman,  
Presiding.

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P R E S E N T :

Messrs. Child,

Auld,

Yaremko, Q.C.,

Sandercock,

Mackenzie,

Root,

Manley,

MacDonald,

Mr. D. J. Gollins, Secretary.

A P P E A R A N C E S :

Mr. Joseph O. Goodman,

General Manager,  
Automotive Transport  
Association of  
Ontario, Inc.



Mr. W. J. Fulton,	Chief Engineer of Technical Surveys, Department of Highways, Ontario.
Mr. A. G. McNab,	Registrar of Motor Vehicles, Department of Highways, Ontario.
Mr. P. T. Clark,	Controller of Revenue, Province of Ontario.
Mr. H. Pearson,	Northern Transport Limited, Director, A.T.A.
Mr. R. McBeth,	Editor - Bus and Truck Transport.
Mr. C. Higgins,	The Automotive Transport Association of Ontario Inc.
Mr. C. W. Tanner,	Toronto-Peterboro Transport Co. Ltd. and Director, A.T.A.

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THE CHAIRMAN: Gentlemen, shall we commence our proceedings? We have a quorum, and we may as well get under way, as we may have a rather lengthy session this morning.

J O S E P H   O .   G O O D M A N ,

General Manager, Automotive Transport Association of Canada, Inc., re-appearing before the Committee, but not being sworn, continues his deposition as follows:





BY THE CHAIRMAN:

Q. I believe we were going through your brief, listening to your comments, and asking questions, Mr. Goodman?

A. That is right.

BY MR. MacDONALD:

Q. If there is nothing before page 22, may I ask if this proposed method which you have described as "highway cost accounting methods", is or was in use in any jurisdiction, of which you are aware?

A. I understand that it has been used in four States. One State was Kentucky. The name they applied to it was "Cost function studies". I thought it might be more familiar to some who have made studies of highway financing in the United States, under that name.

Q. Do I conclude correctly that it was, but has now been dropped?

A. No, they used the cost function study. The purpose was to ascertain whether the various types of vehicles were paying their fair share under the present method of highway financing, and it was found there was no specific tax based on that.

I would like to leave it that way, because I understand the Committee has decided to go to





California, and no doubt they will hear some authorities who have first-hand knowledge of the situation in the United States, and who can give you all the necessary information.

Q. I think this is one of the most important parts of the brief, because there is an obligation on anybody who opposes any particular proposal, to present an alternative proposal, if they think the present one is not fair and proper.

. This looks to be too high, and to quote a phrase in your brief, it is "collecting scientific responsibility", but I think it is very unworkable.

I speak as a layman, knowing very little about accounting, but it seems to me that in any one of these you could grasp the factual information, and you could end up with, of course, any one of these particular things and be able to come up with a fixed position as to the division of costs.

It seems to be the "collecting scientific responsibility", but I think it is an unworkable proposition.

I would be surprised if it was used in any way other than as sort of an investigation guide in other States, rather than a regular procedure to try and divide up costs, and, therefore, have a fixed



revenue.

A. There have been some very exhaustive studies made on the subject, and I understand that Mr. Zettel, of the University of California, has delivered some very interesting papers on the subject, and suggested some of the factors as being those which should be taken into consideration by the Department, on basing the taxes.

Q. I am only expressing a personal view, and I do not know the views of the rest of the Committee, but I think it is an unworkable proposition, and is a fantastically complicated one.

BY MR. AULD:

Q. I wonder if you know if there are any other studies along the same basis? I have been looking through some of the material we have gathered so far, on which I cannot put my finger at the moment, but it seems to me I have seen one -- perhaps two -- other break-downs of highway costs, and who derives the benefit, along the line, for instance, of "landscaping" as being of benefit to everybody, and another angle which benefits the users more than any other.

A. There have been a number of incremental studies made and which have been recorded.

We believe that such a study is a sound one.





That study would take, in the opinion of our advisors, about five years. It was for that reason we suggested this cost-function study, which can be made very rapidly in the Department of Highways.

I do not agree with Mr. MacDonald as to the unfeasibility of it. I think it is simple. The Department of Highways breaks down its costs. Certain of these costs may be assigned to all vehicles, and a proportion of them can be assigned to heavy vehicles, and in that way they can arrive at the additional costs required to be put into highways by reason of the heavy vehicles.

Q. May I try to make my point a little more clear? My recollection of the two or three I have seen is that there is a fairly wide variation in the allotment of costs, as between one group of vehicles and another.

In one study, you come up with, for instance, 50 percent. of the cost of highways is assigned to everybody, and the other 50 percent. would be divided up amongst the various groups.

In another study, you might come up with 25 percent. of the cost of some types of highways for everybody, and the other 75 percent. divided up.





A. I am not surprised, Mr. Auld, that such a situation does exist.

I have seen some studies . In the investigations I have been able to make, I think the situation in each State varies. For instance, if you made a study in a northern State, perhaps the climate would bear a certain weight, as against, for instance, the State of California, where the climate is of no particular effect.

Q. Mr. Fulton mentioned one thing at our last meeting, and that is the cost per mile of road can vary from 100 percent. to 200 percent. within a mile of each other, depending on the soil conditions. In other words, if you get a swampy spot, the cost may be many times what it would be a mile away, where you have fairly good base, and good drainage, so it apparently boils down to the fact that you have to take pretty nearly every mile of road in a highway, and deal with each, first on the basis of soil, and then on the basis of climate?

A. I imagine that is a proper statement.

BY THE CHAIRMAN:

Q. I would be interested to know whether the highways in California are of lighter construction than highways here? Have we run into any information



on that?

MR. MACKENZIE: I think we could easily get it from our Department of Highways.

THE CHAIRMAN: We got into this question of climate on a good many occasions. I was wondering if it had ever come before the Committee, and you could consider the sub-base in Florida, as far as that is concerned -- it does not have to be California, but any place in the south -- and I was wondering whether they are built with a lighter sub-base.

THE WITNESS: There is a statement Mr. Zettel made in 1953, and I think he is one of the people you are going to see.

This (indicating) is an extract from a paper entitled "Some Problems of Highway Cost Assignment, with Special Reference to the Truckers' Share", by Mr. Richard M. Zettel, Associate Research Economist, Institute of Transportation and Traffic Engineering, University of California, Berkeley, California.

He has made a very interesting study, and he says:

"Highways must be constructed to withstand the elements, which, of course, will vary





considerably from one place to another.

Extreme cases will be found where climatic conditions are such that highways for basic vehicles would be constructed to virtually the same standards that are used for mixed traffic. This does not mean that under other conditions no substantial additions to cost will be occasioned by heavy vehicles.

Again, if a highway were built on solid rock incremental costs might be insignificant. But with the poorest subgrade incremental costs might be substantial. Neither case would be representative. Unfortunately, much of the confusion in the public mind over the truckers' share of highway costs is the result of propaganda based upon a selection of conditions which make the best showing for the position advocated."

MR. AULD: Of course, going back to what the Chairman said, my recollection is that the axle limits in California are higher than they are in Ontario.

THE CHAIRMAN: Let us forget California. Let us have some place where the climate is milder than it is in Ontario, but where the roads are built



to practically the same standard. That is what interests me.

MR. AULD: I think that gets back to what Mr. Fulton said, that there may be places in Ontario where, to get a road to stand up, quite aside from climate, you are probably building sections which would carry twice the axle limit, but there are other places where a standard considerably less than the present standard being built, would be sufficient, if it were not for the loads which are planned to be used on them.

In other words, you cannot make a broad statement which would cover the province generally. It depends on the soil conditions first, and then the climate.

THE WITNESS: I cannot help but agree with you on that. That is a very important factor.

MR. AULD: On the other hand, whether the mileage with poor soil conditions, and a consequent high weight-bearing standard of construction -- whether it is 10 percent. of our mileage, or 90 percent., I do not know -- I think would be a determining factor in setting up any road.

BY MR. MacDONALD:

Q. On page 23 of your brief, there is a





lengthy quotation from a statement by the late R. M. Smith, Deputy Minister of Highways.

Incidentally, when was he the Deputy Minister of Highways?

THE CHAIRMAN: That appears as the most significant thing about this quotation. When did he say it?

THE WITNESS: That was said in 1932 or 1933.

THE CHAIRMAN: I would be inclined to rule out its significance at this stage of the game.

BY MR. AULD:

Q. Do you know what the axle limits were at that time?

A. The significance of the statement made twenty-two or twenty-three years ago should not be overlooked, because from the statement by Mr. Zettel, whom I just quoted, there appears a similar statement on climatic conditions in 1953, and the emphasis there is on climatic conditions.

The axle load at the time Mr. R. M. Smith made that statement was 15,000 pounds, as against an axle load today of 18,000 pounds.

BY MR. AULD:

Q. How many vehicles were there of, say, over two tons, in operation at that time? There



certainly would not be very many, I would think, when we have an increase of thirteen times since 1945 or 1946.

MR. MacDONALD: My point is that my suspicion is rather more than confirmed, now that we are going back to 1932, because about two or three years ago, when the so-called "Highway Scandal" was in the headlines, one of the explanations of getting no change in construction which might be possible for different kinds of land, was because there was no change in the road specifications to meet the new requirements, and the new requirements were not because of weather, because our weather has not changed that much in the last few generations, but it was because of heavy vehicles coming onto the roads.

The Highway Department now has to consider greater depth of fill and sub-grade, so it seems to me that a statement made back in 1932, with regard to heavy trucks, when I presume our axle load was pretty close to the heaviest load which was going around most of the time, did not obtain; certainly we did not have 30-ton or 40-ton vehicles on the road, and, to my way of thinking, that is a critical proposition at the moment.





THE WITNESS: The axle load itself was 15,000 pounds, as against the present 18,000 pounds.

The only observation I could make on that score is that we have never been told, nor been able to find any statement made by Department of Highway officials, that they were building highways of special construction, particularly to take care of truck traffic.

On the contrary, we were told that a good highway will stand the heaviest loads we license in this province, and we are building good highways.

That might have been a consideration, Mr. MacDonald, the Department of Highways had in mind, but we have never been able to find out. As a matter of fact, we have never been able to find any such statement made publicly or in the departmental reports.

The only stretch of highway in Ontario we have ever asked the Department of Highways to convert to a main artery, was the piece of highway, I believe about a mile and a quarter long, just north of the Prescott subway. That subway has a clearance of ten feet, three inches, the lowest on any of our King's Highways, and we had to construct trailers expressly to go under it --



MR. AULD: And some of them do not go under it yet. The Committee saw one, as a matter of fact. Of course, there is about one a week, so it is hard to miss it.

THE WITNESS: When the movement of automobiles by transport became a prominent factor in transportation of wheeled vehicles, we made a survey of the area, and we found a township road about one mile or a mile and a quarter north of No. 2 Highway, and we went to the Department of Highways and said that a great many of our problems could be solved by the Department taking over the road.

The Department took it over and converted into a road suitable for general heavy vehicular traffic. That was the only stretch of highway concerning which we approached the Department.

I am speaking now from twenty-two years contact with the Department, and I repeat that is the only stretch of any Ontario road in which we ever asked the Department of Highways to make a change.

MR. MacDONALD: Whether or not they have made that statement, I do not know, but speaking from memory, it seems to me a number of members of the Department have made statements to this Committee to the effect that the heavy, commercial vehicles is



is one of the main reasons why they have to build what they are now building, at a cost four or five times as much as formerly.

MR. AULD: There is another factor which enters into it, I think, and that is the question of <sup>the</sup> frequency the road is used.

Let us consider a specific example. I think the members of the Committee, and Mr. Goodman, are familiar with the stretch of what is called "Highway No. 401", between Gananoque to a short distance west of Brockville. That was formerly called the "Scenic Highway". It was paved in the early 1940's, and for three or four years it stood up very well, but now it takes between 5,000 and 8,000 tons of patching every year.

Certainly, the number of the heavy tractor-trailer combinations which go over it, have quadrupled. They have about a thousand a day now.

THE WITNESS: It is very difficult for me, as a layman, to appreciate the significance of every piece of road.

I can give you an instance of a road right here in the city of Toronto, the Lakeshore Boulevard, going through Exhibition Park. Up until the war, trucks were prohibited from using it; it was a park





highway.

But as a conservation measure, representation was made to the Federal government for trucks to use that road, as it meant a saving of from twenty to twenty-five minutes coming into and going out of the city, and if that was translated into gasoline consumption, it would amount to a rather large saving over a period of time.

At that time, I appeared before the City Hall Works Committee, and they said, "We cannot allow trucks to use that road; it was built on reclaimed land, and it was filled with old trees and garbage, so much so that people almost died of suffocation and to allow trucks to use that road, would ruin it".

I ask anybody here if he considers that road as being ruined.

I do not know the cost of maintenance, but I think it is standing up equally as well as any other part of Eastern Avenue, and, as I say, it was all built on reclaimed land.

BY MR. AULD:

Q. You get into so many problems on this questions of "wear and tear". We have been told -- and there seems to be acceptance of the fact -- that the higher the speed of vehicles, the more damage they



do. That seems to be true on certain sections of highways built to the same standard, and on the same type of ground, on approaches to towns and some communities, where the city limits go out for some distance, but it is not built up, or where the highway was built there, and a town has been built up around it, and I have been told -- I never asked the question in the Committee, but I have been told elsewhere -- that the maintenance of the low-speed section is lower by varying percentages, than the so-called "open section".

I do not say that proves anything except it is a real problem to figure out who is responsible, in many cases, for the wear and tear.

A. I am not qualified to make any comment on that.

Q. I am not qualified to do anything but repeat it.

A. Perhaps some of the experts who will be before you can answer that, during your Western trip.

Q. Of course, if you speak to two experts, you get two different views. The more expert a man is, the more people he disagrees with.

BY MR. SANDERCOCK:

Is it one of the problems of this Committee to go into the construction of highways, and the





building and maintenance of all these highways?

If a highway is recommended, and the recommendation comes before the Department, is it the duty of the Committee to recommend what type of road shall be built? I would imagine there are engineers to look after that.

I do not think it is the duty of this Committee to go into construction of highways, and say whether a highway shall have eight inches of cement or ten inches of cement, and I do not think this Committee has to go into the question of construction of highways at all.

THE CHAIRMAN: I agree we cannot go into the construction, but there is a principle here we are trying to get at, and that is, do our highway construction costs increase with the weight of the vehicles, or do they not?

MR. SANDEROOCK: I think we are all of that opinion.

THE CHAIRMAN: Mr. Goodman is not of the same opinion. That is what he is attempting to present to the Committee.

MR. CHILD: Should we not get some good advice here?

THE CHAIRMAN: We have reams of material on it now.



MR. ROOT: Referring to the statement by Mr. Smith, back in 1932; I think there is merit in what he says. I think the climate has a great deal of effect.

In regard to the bases of certain highways, I can mention Highway No. 6 from Fergus to Mount Forest, and Highway No. 9 to Tivendale. There is not a great amount of traffic on those roads, but on Highway No. 6, it is impassable every spring because of the frost effects, and they just plough the highway from year to year, and will eventually have to rebuild the highway to a higher standard, not because of the weight of vehicles, but because of the climatic conditions.

They are doing the same thing with Highway No. 9. Therefore, I do not think we can just brush off what the Deputy Minister of Highways said in 1932, because most of them being rebuilt in my riding are being rebuilt, not because of the faster vehicles nor the heavier trucks, but because of the climatic conditions.

MR. MacDONALD: I think Mr. Root will agree it is a matter of degree. Admittedly, that kind of road has to be rebuilt not because of climatic conditions, but it is to meet the standards which were put in our King's Highways previously, but the significant thing



is that in the last three or four years, we have had to go beyond that, and my feeling is that we have had to go beyond that not because of climatic conditions, but on account of the increasing number of heavy vehicles.

If you have vehicles up to 25 tons, presumably the weather conditions might affect the road for use by that kind of vehicle, and the problem would be fairly simple, but when you get beyond that, you are getting something beyond coping with the climatic conditions, and that forced the Highways Department to do what they did two or three years ago.

MR. ROOT: I will agree it might have been a factor, but I will not agree it was the factor. They rebuilt Highway No. 9 north of Harrison, and dug the black muck out for a depth of thirteen feet.

The weight of the load had nothing to do with the depth of the muck; it was a condition of the sub-base.

Highway No. 6 was a good road, and they did not repair the base, and as a result, they had to rebuild it.

I do not think you can just brush off what Mr. Smith said back in 1932, because I think that is





a very large factor in all of Ontario.

MR. AULD: That gets back to the soil conditions. In the highway needs study, they are making a pretty thorough survey of every mile of road and bridge in the province, and I am just wondering whether that includes a study of soil conditions, and whether we could get some approximate figures, because I think this has a direct bearing on what we are after.

THE CHAIRMAN: Quite definitely, it has.

MR. AULD: The soil condition of, roughly, 8,000 miles of King's Highways in the province -- if that were studied, we might come to some sort of an answer of 10 percent. or 20 percent., where the soil conditions are such that they will carry anything, that is, so much for frost conditions, and the rest for loads.

MR. CHILD: Have we anything in our briefs, taking 100 degrees for the summer and 30 degrees below zero in the winter, as to what amount of weight a particular road would carry, and not do excessive damage? Let us put it as "normal wear and tear" and take those figures. Is that available?

MR. AULD: You would have to add in the frequency of the use of the roads.



THE CHAIRMAN: We will ask Mr. Fulton, and perhaps he can give us some answer.

THE WITNESS: I hope the Committee does not feel we are suggesting that heavy vehicles are not a factor in the construction of highways.

BY THE CHAIRMAN:

Q. It seems to me we are trying to assess the degree. We have a combination of two factors, then it is a question of degree in regard to each of these two factors in the over-all situation.

A. Our statement was that it was a very important factor in developing a tax scheme, if we know the costs which are being put into a highway, because of heavy vehicular traffic. Then we can devise some means of taxing these heavy vehicles. Then, if we include the heavy vehicles, they would pay the tax plus. That is all we are doing, in simple language.

BY MR. AULD:

Q. We still have the point -- I do not know how large a factor it is -- but we still have the point of our present system, which penalizes the low-mileage operator, or benefits the high-mileage operator.

As I say, I do not know the percentage of



a thirty-ton vehicle -- a combination -- which drives 200,000 miles per year, as opposed to one which drives only 25,000 miles per year, but I do not think anybody can disagree that under the present system, the high-mileage operator might be paying a license of 8 cents per mile, whereas the low-mileage operator might be paying only a little over 3 cents.

It seems to me, if I were a truck operator, and paying the annual fee on my operations, for driving a relatively low-mileage, say of 2 cents or 3 cents, as against one of my competitors who was driving the same mileage, would be an important factor.

A. In principle, we do not disagree with you. I agree with you in principle, that that is an important factor.

BY MR. MacDONALD:

Q. Why do you object to a tax which would remove some of the inequities between the low and the high-mileage trucks?

A. We say the present structure of the gasoline tax and license fees is flexible enough to take care of any of these situations, to which you have referred.

BY MR. AULD:

Q. As a matter of fact, do you suggest that the present inequities, -- and we all agree there are





inequities -- might be taken care of under our present system?

A. It might develop into a third-structure license fee. I am saying this from a personal standpoint, as something which could be considered.

You might have one license fee for vehicles used in the Metropolitan area, or within a radius of twenty-five miles of its home terminal, and another license fee for farm vehicles, and another license fee for general commercial vehicles, which are running all the time. That has been done in several jurisdictions.

BY MR. CHILD:

Q. Could you not have a classification of licenses, without having higher fees?

A. The difficulty we see in that type of fee, is that you are leaving it up to the individuals' honesty, and it is a fee which an honest man will report, but a dishonest man may not.

If you can develop some basis of tax -- I was speaking to an official of the Air Transport Board yesterday, and you might get some experiences from him.

It is the only transportation Authority in Canada which is trying to get mileage records, and it



found, I was told, that it was absolutely impossible to get mileage records from the small air-craft operators. It can secure them from the T.C.A., the Colonial Airlines, and the Canadian Pacific Airlines, but they found it was impossible to secure mileage records with any degree of accuracy from small air-craft which come under the Department of Transport.

BY MR. MacDONALD:

Q. You are missing the point. When you suggest a tax which is, in effect, an area tax; if you operate in a metropolitan area, you are under one classification, but that is not the point.

The point is, how many miles does he travel? You might reasonably conclude that a man operating in a metropolitan area might travel fewer miles.

MR. AULD: Did we not have a suggestion of that at the last meeting, in regard to the Toronto-Hamilton situation, where if an operator makes that run several times a day, he will put on more mileage than if he operated to North Bay?

THE WITNESS: What we do submit is that the tax should be based on cost, and not on benefit.

BY MR. MacDONALD:

Q. If you want to remove the inequity between the low-mileage and the high-mileage truckers, there



is only one way to remove it, and that is a tax based entirely on mileage. You objected to that. You wanted classification of an area, which had nothing to do with mileage at all.

A. I think you will find that your mileage figures will vary. For instance, a firm operating between Toronto and Hamilton will vary from a local city cartage company which operates less mileage.

I think the Dominion Bureau of Statistics studies will indicate that the high mileage is on the large vehicles, and I think you will have to admit that the gasoline tax is the most important consideration of all.

BY MR. MANLEY:

Q. Is it not an established fact that a vehicle hauling 30 tons is more economical in regard to gasoline consumption, than one drawing 10 tons?

A. If you divide your tonnage, so many tons per gallon of gasoline?

Q. Yes?

A. Oh, yes.

Q. Then how do you say there is equity there?

A. We are speaking of costs, and what is the effect of that vehicle on the road. The extra cost has to go into that road to take care of the 30-ton





vehicle, as against your 10-ton vehicle.

Your 10-ton vehicle might give you about 12 miles per gallon, whereas with the 30-ton vehicle, you may only be able to secure four or five miles per gallon of gas.

Aside from your high license fees and the gasoline tax, those are factors.

There is one other thing; I have not been able to convince the Committee -- at least, some of the members of it -- although I hope some have been convinced -- that under our present basis of taxation, we have a weight-distance tax now --

BY MR. AULD:

Q. On what basis?

MR. MacDONALD: With certain inequities.

THE WITNESS: There are probably some on local vehicles.

Let me emphasize this: in New York State, they charged the same license fee per ton on every vehicles. Regardless of how many tons, it pays so much per ton.

But, in Ontario, the greater the tonnage, the higher the license fee. If you have a truck of two tons, you pay \$5.25 per ton; if you have 18 tons, you pay \$26.42 per ton. In New York, you pay the



same all along, so we have in reality a weight-distance tax in effect, because of our present method of taxation, based on gross weight.

You will find in Ohio that the same situation applies there; that their license fee is not graded, at least, not to the same extent. It is the same fee per ton, regardless of how many tons they operate.

BY MR. AULD:

Q. They attempt to make it, for instance, in the axle-mile tax, where the increases are faster than the increases in the tonnage.

A. That is quite correct. They are trying to do that. In their studies, they have also said that they agree that our present method of licensing is one they are considering going into, the gross-ton method of licensing.

We feel that when New York has made further studies, and they get into the same method of licensing that we have on a gross-ton basis, they might drop their third-structure tax.

We then find that with our graduated license fees, and gasoline tax, we have, in effect, a weight-distance tax in Ontario, under our present structure.

MR. MacDONALD: Mr. Chairman, nobody can deny



the point that you could translate your present revenue into a weight-distance tax, but the point in regard to mileage beyond distance is that you are translating it into a gross-mileage charge.

I have given the figures already, and they are in the record, that it ranges from .838 to on the light pick-up trucks, to .0844 for tractor-trailers of the heaviest weight, so that you have a very great graduation there.

BY MR. ROOT:

Q. Not the gasoline tax at all?

A. You quoted some Railway Association figures, but I think you will find that the Department of Economics refers to that in their studies. We will have some observations to make on these figures later. They are just pulled out of the air.

BY MR. MacDONALD:

Q. I do not deny you will get other figures which will disagree with the totals. But we have compared figures from a number of American jurisdictions, not "cooked up", as you think, by the Railway Association, but by people who have made an impartial study under their Departments of Highways.

I know in New York this question of the graduation of taxes has come up. Whether they are





exactly the same, I will not argue at all.

A. You can prove anything you want by figures of that nature, but if you are going to use ton-miles as a method of developing taxation, you are going to get into a great many difficulties, because it has nothing whatever to do with highway costs. That is the very point we are trying to make in our submission.

We say it might be relative to highway use, but it has no relation to highway costs and providing the facilities for the vehicles. If the government is going to go into the business of renting these highways instead of providing highways for the people of the province, a great number of people who use them will pay for them, which we believe is fair.

Then we are going into a realm which probably is beyond the scope of our present method of government.

THE CHAIRMAN: May I ask Mr. Fulton a question? We are having a little difficulty with this problem. I think we are all agreed there are two factors at least, in the increased costs of our highways, and these two factors are the climate and the increased weight of vehicles. We are having a little difficulty in deciding the proportion these



two factors should bear.

Mr. Root has pointed out that certain highways in his part of Ontario, I think, had to be rebuilt down through thirteen feet of black mud, which had to be removed, purely from the climatic point of view.

The point is, where did you look after the climate factor, and then start to build for the weight-of-vehicle factor?

Is that a fair statement of our problem? We wondered if you could help us there.

MR. FULTON: I would not think that you would have thirteen feet of muck there, Whether you have frost or not, <sup>you</sup> if / have not sufficient bearing power in the soil, you have to dig it out anyway. You have to have some kind of soil, regardless of frost, which will carry the load which is imposed upon it by the vehicle. I would think, if they had muskeg in California, they would have to dig it out, although they have not the frost, but they cannot ride on it. The muck is so unstable, it would not take the load.

MR. AULD: Mr. Fulton, can we get at this in this way? It is dangerous to take this particular example as being an over-all example, but just for the



purposes of an example, supposing you had a condition as you have outlined, and the road was only going to be used by passenger cars; would it make a difference in the type of material you replaced in there, and the type of pavement you put on for the use of just passenger vehicles, as opposed to the axle loads many times that of the passenger-car axle loads?

MR. FULTON: Certainly if you have your passenger cars, you would not have nearly the load, and you could build a lighter type of construction which would not hold up under heavier traffic.

MR. AULD: To take this particular example, would it be greater or less in total cost, or be a relatively small amount?

MR. FULTON: We were down in California, and they seemed to be putting about the same base under the road I saw them build, as we are doing here. It was about 12 inches of granular material, and then they put a 9-inch layer of cemented soil without concrete, and on top of that they put 9 inches of concrete.

MR. AULD: That road, of course, of which you speak, was being built for their maximum axle loads in California?

MR. FULTON: Yes.





MR. AULD: Could you hazard a guess, if it were just being built for passenger cars of, say, 2500 pounds maximum axle load, that the cost would have been one-half?

MR. FULTON: I would not care to give a percentage. Certainly there are parkways which are much less in cost, and last as long.

MR. MacDONALD: Mr. Chairman, may I ask a question of Mr. Fulton?

THE CHAIRMAN: Certainly.

MR. MacDONALD: Mr. Fulton, it seems this is a good time to try and sort this out. Would it be accurate to state that the kind of road you have to build for the axle load is the kind of road you need for our climatic conditions and the increase we have had to put into our roads in the last three or four years is not for climatic conditions, but for the increased weight of vehicles?

MR. FULTON: I would think that would be so. I think the Queen Elizabeth Way was a good road up until the war. There were no load restrictions there, and there were some heavy loads and concrete slabs were placed under the rock.

We have noticed that failure on our concrete roads which have not been subject to excessive



loads.

MR. AULD: Is it primarily the load or a combination of load and the frequency the road is travelled over?

MR. FULTON: I do not think there is any scientific way of telling exactly. Certainly, the more frequent the loads on the pavement, the quicker the roads will wear out, and really one heavy load could rupture a highway.

MR. AULD: Would it be fair to say that the frequency of the use of the road has a bearing on the number of times you have to replace the surface, but has relatively little effect on the base and sub-base?

MR. FULTON: I think if the road was designed to carry certain loads, the frequency would not wear out the road, but a really heavy load which was beyond the design of the carrying capacity of the road, would break it up.

MR. YAREMKO, Q.C.: The very fact that in our province, during the spring thaw season, there are many roads where trucks are restricted to half-loads, but the roads are very comfortable to drive on in an automobile, and yet trucks are restricted to half-loads and everybody who travels on those highways know from



experience that these highways are not built to carry heavy trucks, although they can carry automobiles very easily which means that a particular highway has not been built to the standard required for heavy vehicles, which means that other highways must have been built to a standard to carry the heavy vehicles?

MR. FULTON: That is true. I do not think there are any half-loads on our King's Highways in southern Ontario.

THE CHAIRMAN: I do not know whether you can answer this question, Mr. Fulton, but if you take an average mile of highway -- if there is such a thing -- say, No. 401, presently being constructed, and the cost of that average mile, could you give us any idea of what the average mile would cost were it built for passenger cars only?

MR. FULTON: No, I would not like to give any percentage offhand without some further study. We do not build any roads for passenger cars only -- that is, the Highways Department does not.

MR. MacDONALD: It is a theoretical proposition?

THE CHAIRMAN: Yes, but it is really the nub of our problem here.





MR. CHILD: What about parkways in the United States --

THE CHAIRMAN: Mr. Auld tried to get at that, and he read what information he could secure.

MR. AULD: Unfortunately, they were built from a national defence point of view, to carry the maximum axle loads.

The only thing might be the maintenance costs, but their volume of passenger traffic is so heavy, that it would be quite a job to try and figure out what the saving might have been.

MR. CHILD: That is what I was going to ask Mr. Fulton. If we built a road to take only the lightest vehicles, what would happen in regard to the national defence vehicles? Would they not break the road down?

We have one depot in the Dixie area, and they have some huge equipment -- I do not know the weight, but I have seen tanks on the highways which are very large. How would they stand up in weight, as compared to transports? I really do not know how heavy they are. What would you say about the necessity of building roads to carry that heavy equipment?

MR. AULD: They do not pay any taxes at all.



MR. CHILD: We have to build them to take care of a situation in an emergency.

THE CHAIRMAN: I think Mr. Fulton has said they simply do not build roads to carry passenger cars only.

MR. CHILD: Consider a car weighing two tons; that weight is divided on four wheels, roughly, 1000 pounds per tire.

Some trucks have eighteen tires, which means they have approximately four and one-half times as much rubber on the road, and at the same time, are distributing the weight.

Would it be fair to say that a truck with eighteen tires, with three times the amount of weight, carrying, say, 50,000 pounds, would not do any more damage than a car with four tires which weighs approximately two tons?

MR. FULTON: There is no doubt that in any calculation, you put more weight on the foundation than you have without increasing the strength of the foundation-building at all.

I would suspect that the inflation of the tires would have an effect on the thing. If you have a flatter tire, you have more bearing surface on the pavement, consequently the pressure per square



inch over that pavement is less than if the tires were very hard, then your load would be distributed and the pavement would have to carry more load, but just what the percentages are, I do not know.

The Americans have been running tests roads, and they have just started now, in an endeavour to secure some formula which will permit us to design our roads properly.

I think practically all of the State Highway Departments are doing that at the present time. They have found that a certain type of road in their particular locality, with their conditions, will carry, without failure, the loads which are put on them. We do not design roads the same as they do, building for so much load on them, and working down to the foundation. We have not reached that stage of road designing yet.

MR. CHILD: Would it not be the same principle as a full load, regardless of what type of material on that load, which would be the pounds per square inch, whether it was a car or a truck?

MR. MacDONALD: It is possible that the answer Mr. Fulton gave to Mr. Auld's question might lead to the conclusion that if you distributed your weight over more tires, it would reduce the wear and





tear on the road, and reduce the maintenance costs, but it would have no relation to the cost of building the base of the road.

That applies to bridges, no matter how many tires are on the vehicle. If you drive a ten-ton truck over a bridge that is designed to carry five tons, it does not make any difference whether you have fifty tires on the vehicle.

MR. CHILD: I said that a truck weighing 18,000 pounds would do three times the damage that a passenger car would with four tires.

MR. MacDONALD: It would do the damage to the surface of the road, but would have a completely different effect, not what Mr. Fulton referred to as "rupturing the base of the road".

MR. YAREMKO, Q.C.: That is the reason why we have so many half-load roads in the province.

MR. ROOT: While Mr. Fulton is here, I would like to refer to the matter of half-loads. It seems to me the fact that you restrict your trucks to one-half loads on the majority of our municipal roads for a period, would indicate that at least 50 percent. of the cost of your highways which are not restricted is added by the climatic conditions, and yet you allow them to drive full loads on them.

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MR. CHIEF: I would like to know ...  
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I have driven a truck with a half-load, and I have burned a great deal more gasoline with a half-load than I would with a full load, when the climate has dried the road up.

MR. AULD: That is a very interesting "adding up".

MR. FULTON: I do not think we can arrive at a percentage between climate and weight.

MR. ROOT: I can agree with you on that from my own experience. We find that half-loads, when the climatic conditions are wrong, makes it harder to drive than when the climatic conditions are right, and we are simply running around in a circle --

THE CHAIRMAN: Perhaps we are not. We have a opinion from an expert that we cannot arrive at a percentage. That may makes it possible for us to stop running around in circles.

MR. AULD: I have one question which came out of this weight thing, and has to do with the enforcement regarding over-loads, which might properly be put at this time.

I understand if you put a 20 percent. over-load on an axle which was designed to carry 4,000 pounds, you could cause considerably more wear and damage to



the highways, than a properly-loaded 18,000 pound load on the axles and tires which have been designed to carry that weight.

That percentage may not be correct, but is it not true that a vehicle over-loaded would do more damage than a heavily-built vehicle properly loaded?

In other words, is the matter of enforcement of weight on the highway really an important matter, no matter what <sup>the</sup> /taxation system is?

MR. FULTON: I would come down to the load per square inch, what the travel is on the road, and what the road would take. If you put on a small truck, with just one axle, a load which is greater than the pavement could bear, then the pavement would fail.

MR. CHILD: Mr. Fulton, are there any figures available of the type of road -- I am going back to my two figures, which were given in degrees, from 100 degrees in the summer time, to 30 degrees below zero in the winter time; you mentioned three types of bases, a sub-base mixture, with sand and cement, and then so many inches of cement.

If you were building a highway to take care of this variation in temperature, have you any idea



what would be a safe load, which you could carry on that particular type of road?

MR. FULTON: I would think that Mr. R. M. Smith was a little optimistic in quoting figures like that. I do not think he had any statistics to support that statement.

MR. CHILD: There are two factors to consider, the minimum in the winter, and the maximum in the summer: that would have a bearing on the type of construction you build?

MR. FULTON: Some soils have an affinity for water which brings it up to the surface, and consequently these are the soils which are bad both winter and summer, but more so in the winter, and we have to take them out, and replace with some other kind of soil which does not have that affinity for water.

MR. CHILD: If a quarter of a mile of road had a slight variation from the next quarter of a mile, would there be a difference in the building of that particular quarter of a mile?

MR. FULTON: Oh, yes.

MR. MACKENZIE: The Queen Elizabeth Way was built with a granular base under the concrete slabs. Would they be laid right on the soil?





MR. FULTON: I am not quite sure. I think there was a little crushed stone, but nothing like the way we are building them now.

MR. SANDERCOCK: You take into consideration the type of soil under the road?

MR. FULTON: Yes.

MR. SANDERCOCK: You could run into a sandy section which has not the same base as you might want in a boggy soil.

MR. FULTON: That is right.

MR. SANDERCOCK: In a rocky country, you might go over rocks in building a road for several miles, and then go down into a boggy hollow, which has to be cleaned out, and filled with proper soil?

MR. FULTON: That is right. We will have to take out about 60 miles of muskeg between Kapuskasing and Hearst. We would take that out, if we were in California, that is, if our climate was the California climate, because the muskeg will not carry the loads imposed on it.

MR. YAREMKO, Q.C.: Always bearing in mind, that you have, in the back of your mind, the further scientific point, that the standard of the road is really geared to the heavy traffic and the speed of our traffic today.



MR. FULTON: That is right.

MR. MacDONALD: Have we exhausted this point?

MR. YAREMKO, Q.C.: This is a specific point. The grades on our highways; consider Highway No. 400; is not the prevalent grade 3 percent?

MR. FULTON: Yes, we would not have a grade of more than 3 percent.

MR. YAREMKO, Q.C.: Is that necessary for the traffic with automobiles, or did you have truck traffic in mind?

MR. FULTON: Truck traffic is important.

MR. YAREMKO, Q.C.: And what would be a feasible grade for automobile traffic?

MR. FULTON: Automobiles have no trouble taking a 7 percent. or 8 percent. grade. I saw a Cadillac the other day which had no trouble going from a standing start up a 60 percent. grade.

THE CHAIRMAN: Yes, I saw that on television.

MR. FULTON: We try, on the King's Highways, to have a maximum grade of 7 percent. On our controlled-access roads, we try to have a maximum of 3 percent. grade, based on the fact that trucks will slow down at anything over 3 percent.

THE CHAIRMAN: Now that you have mentioned



grades; what is your sight distance when you build your curves?

MR. FULTON: The sight distance is a safety factor.

THE CHAIRMAN: That is applicable to all vehicles?

MR. FULTON: Yes, cars or trucks.

MR. ROOT: Mr. Chairman, along that line, it seems to me that any extra tax should be collected on these superhighways first, where they have so many facilities, and are enabled to draw such heavy loads.

Why collect the weight-mile tax where you have the sub-grades, and an inadequate base, requiring half-loads?

MR. YAREMKO, Q.C.: In your general-improvement policy throughout the province, one of the big factors is the grade removals on the old King's Highways?

MR. FULTON: Yes. We build them with three lanes, two lanes on the up-hill side to facilitate queues of cars piling up behind. It might be a slow moving passenger car, but that is very rarely seen; it is mostly basically the trucks.

MR. MacDONALD: Mr. Chairman, on page 24 --

THE CHAIRMAN: We would be happy if you could sit in with us, Mr. Fulton. I am sure there





will be other points which will come up as we go along.

MR. FULTON: I am sorry, Mr. Chairman, but I have an appointment at around eleven o'clock.

THE CHAIRMAN: Well, thank you very much. Perhaps we might call upon you if something important arises.

MR. FULTON: I will be glad to come back, if I can.

---Mr. Fulton retires.

MR. MacDONALD: On page 24, it says, "Taxes Form a Considerable Element of our Costs". I was extremely interested, prior to reading the brief at all, to see so little research available.

In this Dominion Bureau of Statistics publication called "Motor Carriers of 1952", there is a calculation made of the operating-license percentage of all total revenue. These are the figures:

In Class I, over \$20,000, in 1946, the tax percentage was 3.08, and the percentage of their operating expenses was 3.30 percent.

In 1922, the figure had dropped from 3.08 to 2.17 percent. of operating revenue, and the percentage of operating expenses to 2.36 percent.



In their Class 2, from \$8,000 to \$20,000, -- without going into totals -- you have exactly the same bracketed; it is 3.61 percent. and 4.19 percent.

Likewise, when you get down to Class 3, up to \$8,000, the percentage is 2.62, and the highest it ever was, in 1952, was 4.54 percent.

In other words, the range of percentages, if you calculate the operating taxes and licenses, is from operating revenue and operating expenses, in no case, is it higher than 4.54 percent.

That being the case, and these being up-to-date figures, the latest of which I am aware, personally I cannot see how you can argue that they form a "considerable element of cost".

Surely the taxes you pay, as a percentage of your revenues, if they are consistently lower than 5 percent., is not a high figure.

I do not know whether Mr. Goodman has any comment to make on that or not.

MR. GOODMAN: I would like to make this observation: --

MR. AULD: That might tend to substantiate what we were saying a moment ago about the lower-mileage operators paying more.



THE WITNESS: Generally speaking, ~~that~~ would have nothing to do with mileage.

BY MR. AULD:

Q. Not necessarily, but I am speaking of the relationship. A low-mileage operator would not pay as much as the higher-mileage operator.

A. It might be one driver with the bulk of his business being around \$8,000. a year, and he might be making 150 miles hauling livestock.

Q. I do not want to split a hair, but if there is only one driver, he can only stay awake for so long, ~~but~~ if there are two or three drivers, they can go a little longer.

A. I would like to make this observation about the statistics from the Dominion Bureau in trying to analyze them, and attempting to prove perhaps they are not too highly reliable.

We had the Dominion Bureau of Statistics make some studies for us, and we have found what they have done in certain areas is they have taken all carriers who have reported revenues of \$8,000, and added all the returns into that one group, regardless of whether the carriers answered every question or not.

We tried to find out what the carriers'



revenue per ton was, and we found with some carriers, it was \$40.00, and with others it was \$10.00.

We went back to the Dominion Bureau of Statistics, and we found that some carriers had not reported their tonnages, but had reported their revenues yet they included all the returns .

I do not think we can place too much reliance on those figures at all, unless we could be assured that the carriers who reported had reported every item. If they did report their tax, but did not report their revenues, their tax would be a higher percentage of revenue, but the figures to which we referred in our submission --

BY THE CHAIRMAN:

Q. On what page is that, Mr. Goodman?

A. In Exhibit No. 6. That contains the figures of the six major companies which operate between Ontario and Quebec, such as the Direct Winters, the Kingsway, Husband's Transport, and so forth. That is not a list of them all, but they are the six major carriers, and these are actual figures of their receipts and disbursements, and here it will be found that their operating tax and license fees, including the gasoline tax, was 7.04





percent. of their revenue.

It might be that with some other groups that percentage might be less, but these are the operators of the big trucks, <sup>we felt</sup> and it might be a good figure to show to the Committee, because we believe everyone is interested in the big trucks running from here to Montreal. That is an actual financial picture. It was taken from specific returns, and compiled by the Dominion Bureau of Statistics for us. We worked out the percentages. They gave us the other information.

BY MR. AULD:

Q. An obvious question: why do you feel that these figures from the Dominion Bureau of Statistics are more accurate than the previous ones we were discussing?

A. Because we were afraid to take it until all the questions were answered -- or none.

There was a list of 12 carriers, and we said, "We would like you to give us a composite report of the 12 carriers, and make sure you have every question answered. If you cannot give us the 12, give us as many as you can in one complete report", and they came up with six.

Q. You believe these carriers are the ones



operating more efficiently?

A. I would say that the most efficient carriers in the province would be included in this group. I would not say they are all the most efficient, as that would be making a rather broad statement, but you can understand when you have carriers doing \$36 million worth of business, they have to be efficient to stay in business.

BY MR. MacDONALD:

Q. Once again our problem is apparent. You suggested a moment ago that you could get any set of figures to prove anything. It seems to me to be remarkable that when you have a figure from the Dominion Bureau of Statistics, which came up with a very consistent range -- although you may dispute some of the totals -- of less than 5 percent., for the life of me, I do not see why one would throw that all out the window, and take six companies, which would be the six companies with 1500 operators, all in heavy categories.

You may get a better over-all figure if you take the broad picture, rather than dismiss that, and take six. All of us are going to be suspicious of figures like that, and I think we will have to be suspicious of your choice of six, and



dismissing the Dominion Bureau of Statistics' figures.

A. The reason we took six -- we might have taken ten or twelve, and I think the Committee would be interested in this -- the reason we took six companies, was because they are the major users of the King's Highways.

I am not suggesting some of the smaller companies do not make greater profits. They have to.

Q. I have some figures on profits, but we are dealing with page 24 for the moment.

BY MR. AULD:

Q. What taxes were added here to make this category of "Operating taxes and licenses"? Was it just gasoline tax, licenses and P.C.V.'s, or was there anything else?

A. I am sorry, I cannot answer that. I might consult with someone here who is familiar with the compilation of these returns.

THE CHAIRMAN: While you are doing that, we will take a five-minute recess.

---Whereupon a short recess was had.

---Upon resuming.

THE CHAIRMAN: Perhaps we may resume, and get under way. I think we have some distance yet to go.





You were answering a question, Mr. Goodman.

THE WITNESS: I understand that includes all taxes, business tax, property tax -- all taxes, except income tax.

BY MR. AULD:

Q. In other words, real estate and stuff like that?

A. Yes.

THE CHAIRMAN: Real estate and business and all their terminals, premises, and so on?

BY MR. AULD:

Q. Then the actual percentage of highway revenue and tax would be somewhat less than the figures shown in that exhibit?

A. That is correct.

Q. Have you any idea how much?

A. No, I have no idea. We can certainly secure that, if the Committee feels it is pertinent to its discussion.

Q. It would seem, from the point of view of your submission, to be rather pertinent, because we are interested, primarily, in motor-vehicle revenue and not municipal taxes.

A. I can easily secure the figures, and I shall.



Q. One other question on that statement; the percentage of profit is shown as percentage of revenue. Have you any figures to show what the percentage of investment is? Generally speaking -- in my experience -- if you are speaking of whether a business is profitable or not, you are interested in the investment.

A. That is a factor used in most businesses, but I think you will find that in most service industries the profit is the ratio to the total revenue.

One of the important factors is cost. You can get into the trucking business with very small revenue, or rather, very small investment. You make the down payment on a truck, and you are in business.

It is recognized in <sup>the</sup> transportation industry generally, that the criterion of the financial position of the carrier is the percentage of his total gross, rather than the percentage of his return on investment.

MR. MacDONALD: Mr. Chairman, we have figures on that. The Dominion Bureau of Statistics has a report, based on 1953 totals, dealing once again with the three categories, namely, group 1, over \$20,000; group 2, between \$8,000 and \$20,000, and group 3 below \$8,000. a year.



An interesting thing is that in group No. 1, over \$20,000 income, for the year, the total revenue was \$79.2 million, and the operating expenses were \$73 million; the net revenue was \$6.2 million, so their net operating profit was 8.54 percent. That is for group 1.

In group No. 2 it drops away down. Their total gross is now \$1.8 million; their operating expenses are \$1.4 million; their net revenue is .4, so their net operating profit -- and this will be interesting to Mr. Root -- is 28.75 percent.

For group No. 3, the very small operators, below \$8,000, their total revenue was \$659,000; their operating expenses were \$468,000; their net revenue is \$190,000, so their net profit is 40.63 percent.

Now, coming back to this figure, which is the really appropriate one for the large commercial operators, representing the greatest amount of revenue, namely, \$79 million; their net operating profit is 8.54 percent.

I am assured by economists that is not as low a figure in calculating as one might conclude, in terms of profit levels. We might come to the conclusion that this is very low.

But it is pointed out that if you have fixed



costs, -- that is, the costs in relation to your volume of business -- and capital costs, such as the cost of equipment, which are relatively low in terms of turn-over of business, your profit is represented in this turn-over in business. I see an economist shaking his head in concurrence.

I could get you any number of authorities on it, but to take up what Mr. Goodman suggested a moment ago, you can move into the trucking business almost over night. In fact, the transport figures for August, 1956, point out that you can get into the trucking business with a down payment, and sometimes one is not required to pay even that, so the fixed costs and capital costs are relatively low in terms of your turn-over, therefore, the conclusion that might be drawn is that you have a low profit level of 8.54 percent., which is not a correct conclusion.

It is an adequate and good profit level? As a matter of fact, this was argued out at considerable length before the Gordon Commission when representations were made, and there was considerable economic argument as to whether that is a proper profit level, as it is very hard to consider them, as compared to the railways, where they have to build





a road, and so forth, even though I think they are subsidized to some extent.

But with a trucker, it is a different situation. He has the road. The road is there.

There was one thing on the basis of those figures, upon which Mr. Goodman may have some comment, and that is, I think there is some validity to the statement that these are not completely reliable figures, because I think the Dominion Bureau of Statistics is coming to grips in an endeavour to get as reliable figures as possible --

THE CHAIRMAN: I can make one comment from my own experience. I do not think the truckers made as much in 1956 as they made in 1953.

BY THE CHAIRMAN:

Q. Is that a fair statement?

A. That is generally a fair statement, but I know some truckers who are making 17 percent. on their gross revenue, but there are others who are only making 2 percent. or 3 percent. I think the average trucker would be very happy to make 8.54 percent.

MR. AULD: The average wholesale grocer would be overjoyed.

MR. ROOT: I think the figures Mr. MacDonald



quoted would be very useful for a trucker who wanted to sell his business.

MR. AULD: There is one thing about these figures I cannot rationalize, and that is, the small operator making a 40 percent. profit.

MR. ROOT: I think it is the way the small operator reports his business. We receive their letters, and we do not even answer them.

THE CHAIRMAN: There are all sorts of factors. As Mr. Collins points out, one man may not show his returns, whereas, in an incorporated company, every salary is included. To translate that into other terms, he may have to make that to make enough to live on.

MR. MacDONALD: I am only repeating the Dominion Bureau of Statistics' reports.

In group No. 1, there are 291 firms, and in groups Nos. 2 and 3, there are 142 in each, and if there are 1500 which should be reporting, there are only about one-third which are actually reporting.

I have been impressed with the percentages, and how they work out. You find in elections, the returns when one-quarter of the vote is in, is remarkably similar to what it is when the entire 100 percent. has been returned.



BY MR. ROOT:

Q. Along the line of percentages, there is a question I would like to ask you, Mr. Goodman. This (indicating) shows 4,075 vehicles. What is the percentage of vehicles of that type?

A. I cannot tell you the percentage of vehicles of that type, but I can estimate the dollar revenue. These six carriers did 25 percent. of the dollar revenue of public carriers in Ontario.

BY THE CHAIRMAN:

Q. They are all long-haul carriers?

A. That is right. The six carriers did 25 percent. of the business.

MR. MacDONALD: In answer to Mr. Root's question, there were, in 1953, 292 companies in that bracket, and this (indicating) is only 6 out of the 292.

MR. ROOT: I am trying to get at the basis for that. It might be a company with one or two trucks, or they might have many trucks. I know that with many of the small truckers, general trucking is only part of their business. They are into many other things.

MR. COLLINS (Secretary): One thing which concerns me is this; in the transport industry, nearly





all of the business is done on the basis of mileage, and the weight of the goods to be carried. You are thinking in terms of both the cost of carrying certain things a distance, and also the revenue to be gained.

Why should <sup>not</sup> the transport operator pay a tax which would be almost a fixed cost, as related to its business?

THE WITNESS: That is the Utopian way of doing business in the trucking industry. That does not apply.

There are about ten factors which enter into the development of rates, and competition is a very important factor.

A good carrier knows how much it costs him to operate a mile, and its tariffs are developed to try and secure sufficient revenue by operating at so much per mile.

Generally, rates are based on the competition, that is, a carrier competing with carriers in his own field, with his customers, who own equipment, and with railway competition. I recited instances, the last time I was here, in the matter of canned goods, when I said that <sup>at one time</sup> the rate on canned goods between Toronto and Hamilton was 24 cents per 100-weight, -- it has been increased substantially since; this



was prior to 1950 -- and the rate between Toronto and Windsor, which was five times as far, was only twice as much.

You will find that haulers are hauling from Toronto to Montreal at a lower rate than from Belleville to Montreal, on account of the competitive situation. They have not the water competition to meet.

BY MR. AULD:

Q. May I ask you comment on this? From the point of view of the over-all economic efficiency of the country, would it be fair to say that the way we should ship goods should be the cheapest way, depending on natural facilities, and so on?

I realize that cannot hold true everywhere, but as a straight basis of economic thinking, would you not say that the best means of transporting goods was the cheapest one?

The situation, in the final analysis, if we had Utopia -- and I appreciate that is rather difficult -- would mean that any place where water was available, that is the way most goods which could be transported by water would go, that is, by water, and the trucks would go to the places which could not be served by water and rail more economically?

A. We are getting into the realm of theory, Mr.



Auld.

I can only say that perhaps you, as a businessman, might be prepared to pay a little more on 100 pounds to have goods brought in by truck, rather than by rail, because of other factors.

When we stop to think of it, you could telephone Montreal or Kingston for your goods, and have them delivered the same day, so there is a service factor, and your particular requirements might not be too strenuous.

Q. By the same token, we use our company's vehicles, and only use other trucks sometimes, because we are trying to use the cheapest way. We own our own trucks, but we do not ship all our goods that way.

A. By and large, I think business would try to establish the cheapest and best way. A business man would be foolish not to. But that is not the only consideration, in choosing agencies of transportation.

MR. SANDERCOCK: Does the condition of the roads in parts of the province determine the rates set for any particular haul?

THE WITNESS: Oh, yes, in some of the rural areas. That is particularly true in the summer



cottage areas. There are many summer cottages in areas which have been developed in recent years, which have been not served by anything other than horse-and-buggy trail, and the carrier will say, "I will deliver your goods to your rural community -- in Bracebridge, let us say, at so much, but if I have to go in there, I will have to use a smaller vehicle, and it will cost you more, and the cost will be so much more". They are very important factors.

BY MR. COLLINS (Secretary):

Q. That is the point I was making. He would have to know his costs?

A. That is quite true. We have a situation with which we are dealing today, where a pipe company in Welland is competing with a pipe company in Woodstock, and the pipe company in Woodstock wants a lower rate to compete with the company in Welland.

The company in Welland has a water-competitive rate, and has water facilities available, which the company in Woodstock has not, and it turns to the trucking company, and says, "We want a special rate to enable us to compete with the people in the water area".

So we find many areas <sup>not</sup> having water transportation, where the truckers have special rates to





enable that industry to compete with the carriers which are in areas which have direct water facilities.

BY MR. AULD:

Q. Do you believe that truckers would give rates which would show the over-all rate?

A. I would say that truckers today are hauling traffic upon which they are not making money.

Q. But not for the same reason. Hauling them as cheaply as possible, and in order to get the profitable price, they take the business which might show a loss in their over-all picture?

A. That is true.

Q. And the same thing holds true in many businesses?

A. Yes.

MR. MacDONALD: This strikes me as at variance with the principle with which we have been dealing. The truckers are "hard-boiled" business men, and I would be surprised if they are not getting the business in that area, even if, because of water transportation, they have to lower their rates.

MR. ROOT: If we accept what the Transport Association said at their last appearance, that any further increase in taxes, means an increase of rates, which will be passed on.



Then you will come to a point where the traffic is in competition with water for seven months of the year, and to get the business for the seven months, they would hold the rate, rather than raise their rate in an area where they have no competition.

I feel if that situation develops, this extra tax could be laid on to the more remote areas which have not the competitive transports.

I am not speaking of traffic to and from rural areas where 100 percent. are served by trucks. Our farm produce moves from 90 percent. to 100 percent. by truck. If the transport industry has to raise more revenue because of the additional tax, they cannot raise it on the Toronto-Montreal run or other areas in competition with the St. Lawrence Seaway, so they will hold their rate there.

THE CHAIRMAN: That means we are not discussing the weight-mile tax. We are discussing increases in taxation. The same would be true if we raised the gasoline tax or the income tax, or if the provincial government put on an increased corporation tax, and if a corporate firm were incorporated it would have to pay the tax.

MR. AULD: Do you think if they were running



between Toronto and Montreal at a loss, they would continue to do it?

MR. ROOT: If they had to do it for some months in a year, but they would lose this competition for part of the year, and to hold their business, they might run at a lower rate.

MR. MacDONALD: If this industry is as close to the margin in terms of profit as was suggested, I cannot figure out why so many people have been getting into that business in the last ten years. People, as a rule, do not like to engage in an industry which is a marginal business.

MR. CHILD: I think a number have gone bankrupt. I know of one or two myself in Hamilton.

THE CHAIRMAN: There are in other businesses, as well.

MR. MacDONALD: Mr. Root's comment is valid, if you accept the premise that it must be passed on. I think that is a premise which has to be examined.

If Mrs. Long's statement is valid that one-quarter cent increase resulted to the consumer on a ten-dollar article, I am not convinced that an increase will be passed on.

MR. ROOT: They felt that might prevent them from expanding, so the trucking industry is taking





up the slack.

MR. MacDONALD: They do not take up the slack if it is not profitable. We should not "kid" ourselves. People do not go into business where they are going to lose.

BY MR. CHILD:

Q. Perhaps, Mr. Goodman, you could give us a figure of vehicles weighing 10 tons and over, an average of 10 tons being the maximum, paying something like \$2,000 tax per vehicle for the year. I take that as an average of what some of the heavier transports might be paying, which would be from \$2,500. to \$3,000., and down to the lighter vehicles. I have worked it out at an average of \$2,000. per vehicle.

I would like to apply it to a specific case I have in mind. We have been talking in millions of dollars and percentagewise, but if you take it down to a specific case, one operator would not be paying a fair figure.

A. I would not want to make an offhand estimate, Mr. Child, because the figure you have is 25,049 vehicles registered last year with the Department of Highways, that is, vehicles which weight over 10 tons, and which the Department called the "heavy motor



vehicles" which were licensed anywhere from 10 to 19 tons. It is specifically in connection with these vehicles where these inequities have come in. That is what I am trying to bring in, that these are vehicles in the category referred to as being "subsidized".

BY MR. AULD:

Q. Does that include combinations?

A. No, that is the power unit. A trailer is no good without a tractor, and if a tractor went over 10,000 pounds, the trailer would be included, regardless of whether it weighed one ton or two tons.

Q. That does not necessarily mean that maximum loads are going on that unit?

A. No. It is the number of motor vehicles licensed by the province of Ontario last year, vehicles which weighed over 10 tons. There were 25,049 of them, and that represented 8.7 percent. of the total vehicles registered.

MR. CHILD: I have one outfit in mind -- and this is getting down to the level I would like to interpret it at -- where the situation is getting very bad.

This outfit operates in Hamilton, and has fifteen complete units, and some extra trailers. The



average in that case, taking it at a tax of \$2,000, means that even if the tax was increased by 20 percent., it would be paying something like \$400. additional tax on each unit.

If you take \$400, and multiply it by fifteen, it amounts to \$6,000, and I know for a fact that particular operator is considered one of the best in the province, his business is efficiently operated, and I know the chap does not take home any more than \$17,000 or \$18,000, including his own salary. If the tax is increased, he might as well go and work in a factory, because he would make pretty close to the same figure, and yet he has some \$300,000 invested.

I can tell you there are a number of our top people who are making better than \$9,000, and that is not considered as too high.

A man who can build up a business to a \$300,000 operation, and do it for \$9,000 a year would be crazy.

I think Mr. Goodman knows the outfit about which I am speaking. It is one of the better ones. Some of the others are not making that kind of money.

THE CHAIRMAN: If we need more roads in our province, and we have to have more revenue to build



them, what will we do? Stop building roads? ,

MR. CHILD: Even if we take the total revenue from 25,000 vehicles, and average it out at \$2,000 apiece, that would make \$50,000,000, and if we take 20 percent. -- that is, increase the tax by 20 percent. -- we would only be up about \$10 million, and we are speaking of a \$40 million deficit.

MR. AULD: Well, \$10 million is a good start.

MR. MacDONALD: When we were speaking of toll roads, your argument was it would not be of much use to the little man; now, in the trucking business, you are taking the reverse argument.

MR. CHILD: No, I am not. I said the more efficient the operation of toll roads, the greater the extra toll charge would be, and that can be backed up by better operating efficiency. They would save time, and labour, and wear and tear, and all of that, would be taken from the people who were paying the toll. They would pay the toll, but they would have higher operating efficiency, and make many more dollars over a given time, but <sup>in</sup> the over-all picture they might break even, even though they were paying more.

We were given an example of one chap who saved the actual cost of his insurance premiums, and





he paid the toll. We have that on record. To me, it seems the more equitable way of doing things, than to put an additional tax on vehicles, but we will have to do something like that to raise the money, because there are only about 25,000 vehicles involved --

THE CHAIRMAN: Where do you get your figure of "25,000 vehicles involved"? Is that a figure from the Dominion Bureau of Statistics?

MR. CHILD: The figure I have shows 31,000 over 9 tons, and 25,000 over 10 tons.

THE CHAIRMAN: There are 251,000 trucks registered on the province of Ontario. Those are the figures prepared by the Dominion Bureau of Statistics for the Good Roads Association Convention, held in October of this year.

MR. ROOT: Many of them are half-tons --

THE CHAIRMAN: There are inconsistencies in these figures which I have not been able to reconcile. For instance, we have 251,000 trucks registered, 66,000 private trucks and 12,000 for-hire trucks. They do not explain where the other 100,000 trucks are.

MR. CHILD: Nine-ton trucks -- there are only a total of 31,000 registered.



THE CHAIRMAN: These are the figures Mr. Cooke gave us.

THE WITNESS: The Dominion Bureau of Statistics' figures are not complete. They tested 10% of the <sup>vehicles</sup> and they project it into their totals. The figures to which Mr. Child referred are taken out of the Department of Highways' annual report, and showed that the latest statistics of motor vehicles registered was 297,942 commercial vehicles, of which 31,713 were over 9 tons.

The reason they showed 9 tons was because some people have been looking at that figure, and adopted the weight-distance tax for vehicles over 9 tons.

If the same procedure was followed of taxing vehicle over 9 tons, it would apply to only 31,713 vehicles, or 11 percent. of the total number.

THE CHAIRMAN: I must admit Mr. Child's point is well taken. That is something which has occurred to me through all this. There is great hair-splitting now in regard to "equity". I think we have to look at what we might expect an increase to produce, and how much trouble it will be to produce the amount of money which is needed.

I do not think any of us have reached any



conclusions on that point, but what Mr. Child says is quite valid. It may amount to a great deal of fuss for very little gain in our revenue position.

I would like to move a little faster if possible. We have covered so far about three pages.

MR. MacDONALD: We have jumped ahead because the margin of profit is on page 31.

THE CHAIRMAN: We must bear in mind that we have jumped from here to there.

MR. YAREMKO, Q.C.: Looking at the figures on pages 26 and 27, the list of figures as shown there; there are steeply rising license fees on page 26, and on page 27, the miles per gallon goes down considerably with the weight of the truck, and are these valid criteria to apply to such a case? It may be there are steeply rising license fees, if you take it purely on the basis of how much license fee per ton is applied, then it looks steep, but if there were some other criteria as to license fees per ton of goods carried, or per ton per mile --

THE CHAIRMAN: Or per dollar of gross revenue?

MR. YAREMKO, Q.C.: That is right. Then we might have something valid to go on. My mind cannot accept this as either a justification that





they are too high, or a justification that they are not high enough. There may be no logical reason for this increase, or perhaps it should be tenfold more, if we use some other valid, scientific criteria.

The same thing with the miles per gallon per truck. It does not mean anything. But if you said "miles per gallon per truck per pound carried --"

MR. AULD: There seems to be an interesting thing there. Regarding the 68,000-pound combination, and the 10,000-pound truck, the 68,000-pound combination pays approximately three times as much in gasoline tax, according to the brief, and yet it carries almost seven times as much in weight.

MR. MANLEY: 6.8 times, to be exact.

MR. AULD: Yes. That would lead me to believe there is not an equity there.

MR. ROOT: There is a definite inequity in the gasoline tax, and there is another inequity in the weight. We may not be too far from equity. I have raised this before.

The tax is being paid for roads which they are not permitted to use. If you take their contributions to the provincial budget, and applied it to the roads they can use, you would have far more equity.



THE CHAIRMAN: You could reverse that, and go at it in the opposite way. Let us take your own operations. You probably do not use Highway No. 401, nor Highway No. 400.

MR. ROOT: That is why I am for toll roads.

THE CHAIRMAN: Then you are paying a license fee of a certain amount, but your mileage is not extremely large, so you are subsidizing a highway you never ride on.

Are there not some segments of the trucking industry which object to this licensing business, because they are feeling they are being discriminated against?

MR. ROOT: I think you are right. I think there has to be a re-classification of licenses. I said that in the House last winter, and I said they had better have another look at it.

Perhaps there are people paying high license fees for small mileages. I am not sure whether it should be raised on the weight of the truck, or whether it should be raised from the gasoline tax, which is paid by everybody.

THE CHAIRMAN: If you admit the inequity in raising the license fee, you would increase the inequity by raising the gasoline tax.



MR. ROOT: I am speaking about the gasoline tax.

THE CHAIRMAN: I think it is necessary that we recognize these factors.

MR. ROOT: I agree it would be an equity if every vehicle could use all the roads.

THE CHAIRMAN: If every vehicle has a right to use the roads. Then you will get into a question of whether the vehicle wants to use every road. Then you differentiate between the people here, and the man in Port Arthur, for instance, who has to come down here to use Highway No. 401. We can split these hairs by how much?

MR. ROOT: I am not trying to split hairs, but a good superhighway is more equitable. Everybody agrees it is safer and faster. Your weight-mile tax will not <sup>only</sup> apply to superhighways, but it will apply to the gravel roads in my riding, and in the northern areas, and I am not too sure but that is -- I have not made up my mind one way or another -- but I am trying to get rid of one inequity, which is the gasoline tax. I admit there is inequity there. And the license fee will create another inequity for the low-mileage operators.

THE CHAIRMAN: I think we must accept



inequities, because we will never devise a system which will not contain some inequities. It is a question of degree.

MR. MacDONALD: On the principle which Mr. Root is discussing now, I am pretty certain that the average truck travels over a greater proportion of roads than the average car, from the very nature of its business.

If we accept that principle as valid, then see the people paying a gasoline tax, say in Orangeville, which is highly inequitable, because it would mean they are paying money which will go into roads in northern and eastern Ontario.

MR. ROOT: That is the way they feel about it.

THE CHAIRMAN: We have to deal with the broad trucking problem.

MR. ROOT: If we get into the question of whether a truck should pay more, how about the business men on the highways, such as the commercial travellers, who perhaps travel from 50,000 to 100,000 miles a year?

MR. AULD: There, the gasoline tax appears to be very equitable, within certain limits. You see, a Cadillac weighing 15 percent. more than a Plymouth,





uses 50 percent. more gasoline.

When we get into things like that, as shown on page 27, it appears to many people there is inequity.

Now we go back to the license fees, and if we attempt to correct this inequity, we get another fixed standard, which is far more equitable.

It seems to me, before the government decides it should raise more revenue, we should take as a basis, the railway tax, which is close to equity, as close as we can reach.

I think every member of the Committee agrees that the license fee should be substantially reduced, if a weight-mile tax is imposed.

THE CHAIRMAN: The same as in New York or Ohio?

MR. AULD: Yes. The heavy trucks pay it through the cost of building and maintaining the roads. If we can establish what the share will be, and we divide it equitably between all vehicles, then if we need more money, we can raise it around the board.

MR. YAREMKO, Q.C.: I would like to have Mr. Goodman's figures on pages 26 and 27 explained, because, in looking at them superficially, it seems to me that a truck -- let us take a truck which is



five tons, and up to six tons; the amount of tonnage it would carry in a year certainly would not be in proportion to the charge, would it?

THE WITNESS: In proportion to what?

BY MR. YAREMKO, Q.C.:

Q. For a five to six-ton truck, it pays a license fee of \$88.00; for a six-ton truck and up to seven tons, it pays \$103.00, and for an eighteen-ton truck, up to 19 tons, it pays \$502.00. If you translate that as against the amount of material which was carried by those two trucks in a year, would that be away out of line?

A. Well, in the first place, the truck in the six to seven-ton category would be local pick-up trucks, which would be used chiefly in the cities. It would not be a highway vehicle.

But a 17-ton to 18-ton vehicle -- and there are not too many of those in the province -- would include a large number of dump trucks, so your vehicles are considerably heavier than the six to seven-ton vehicle, but the carrying capacity would not necessarily be three times as great, even if you go from six tons to eighteen tons. It might be only two and one-half times as great.

I would not care to venture an opinion that



the heavier vehicle would produce three times as many tons per mile, if that is the figure for which you are looking.

BY MR. MacDONALD:

Q. Even at two and one-half times --

A. No, I would not even say that. The Dominion Bureau of Statistics' figures show that the capacity of operators now is about 60 percent., and then you try to load to capacity, because the increased cost of operation, you will find that cannot always be accomplished.

I think you will find in the study of the Dominion Bureau of Statistics figures that the percentage of capacity utilized is greater in the smaller vehicles than in the larger ones.

MR. AULD: Have you not just contradicted yourself there?

MR. MacDONALD: Yes, he has. I think the heavy truck is more likely to load to capacity, because of the cost. They will be nearer capacity than the lighter trucks.

THE WITNESS: That is right.

BY MR. MacDONALD:

Q. Then, in that case, the other system would have been more valid?





A. No. Naturally, they will try it, but I think you will find from a study of the figures by the Dominion Bureau of Statistics, that the lighter trucks are loaded to nearer capacity than the heavier trucks.

BY MR. AULD:

Q. One other thing: perhaps this is hair-splitting again. You mentioned in the high category, the dump trucks, where the truck which weighs more, actually does not carry twice the load, but in the case of a vehicle which is a van, I would think the reverse would be true, and that is why the engine, cab, chassis, and box on the 18-ton vehicle would be a smaller percentage of its total weight.

A. Yes, but that vehicle would fall into the 14-ton category. The 18-ton vehicle is what we call "tandem-axle vehicle" -- three axles. You cannot put 18 tons on a two-axle vehicle; you have to put another axle on.

The vehicle to which you refer is in the 14-ton group, and I would agree with the point you make.

BY MR. YAREMKO, Q.C.:

Q. On page 27 of your brief, your figures are based on full loads? They burn up three times as much



gasoline, but how much more do they carry per gallon burned?

A. The figures there are those based on the total weight in some areas, for a total week's operation, loaded and unloaded. I think you will find in some areas that the gasoline consumption for a vehicle loaded would be greater than the averages here. They are based on actual tests which were made.

BY THE CHAIRMAN:

Q. Those are Dominion Bureau of Statistics figures?

A. Up to 30,000 pounds, they are, yes.

MR. MacDONALD: There is one comment I would like to make, and I do not make it to be critical of Mr. Goodman's organization, but I think it is a pattern in the organization.

It strikes me as rather strange that there is no attempt so far on the part of the trucking association to iron out the gross inequity between the lighter trucks and the heavier trucks. Undoubtedly, what you have in your Association is what appears in the Medical Association, in that the policy is established more for the fellows in the higher income group, than the fellows down below. In regard to the



medical group, we find that, for instance, the national health scheme was violently opposed by those in a certain group. I think that is a problem for the organization.

I think your policy is a policy which was formulated to meet the interest of the big truckers, and it is not in their interest to have a weight-distance tax. If we could consider it in terms of equity, it would be in the interest of the small truckers, would it not?

THE WITNESS: I cannot say you are 100 percent. wrong.

BY MR. MacDONALD:

Q. I do not ask you to answer any differently from that.

A. I would make this observation, that in any organization, if it is doing an effective job, there must be some divergence of opinion, and if I said that our membership was 100 percent. behind this submission, or any submission, I would be wrong, because we have railway truckers in our Association.

I would say this; there are little people who operate heavy trucks, as opposed to the larger



firms which operate large fleets of light trucks.

We believe -- and I am expressing the views of people as I hear them going around the country -- that the fairest type of taxation is the gasoline tax. I believe the license fees on the lighter vehicles are, generally speaking, insignificant when applied to one vehicle.

If I operate a truck weighing two tons, and it costs me \$10.50 to pay the license fee, it is simply a "piddling amount", but if on the first of January, I have to put up \$502.00 --

BY MR. MacDONALD:

Q. In terms of annual revenue, the \$502.00 may not be as great a percentage as the \$10.00 on the smaller truck?

A. I might earn more money with the two-ton truck than with the heavy vehicle.

THE CHAIRMAN: I think we can bring in the example which has been given to us, and use that to prove either side of it.

THE WITNESS: That is true. You can prove anything with statistics.

Coming back to what I have said; I believe there are certain inequities in the present system of licensing, and I do not think this Committee, nor





one hundred committees working one hundred years could eliminate them all.

THE CHAIRMAN: I certainly agree with that.

MR. AULD: Along that line of how the Association feels; we had Mr. Hastings appear before the Committee on November 1st. He was speaking as the Manager of the Motor League, and he is also the Secretary of the Motor Truck Owners Association, and was presumed to have been representing some of their thinking. I do not want to read the whole thing, but he said, in answer to a question as to how additional revenue could be gathered from commercial vehicles, which he thought were not paying their share:

"A. I think the most general one in the United States, was the one outlined to you by the lady from New York State, Mrs. Long.

I think that is in effect in some twenty States of the Union."

Then, in answer to the question:

"Q. That is, some form of a weight-distance tax?"

He said, "Yes".

Further on he said:



"A. I mentioned, I think, sir, the much better fuel economy of these heavy vehicles, consequently, the gasoline tax yield is lower than on the lighter motor vehicles, including, of course, passenger cars, or light commercial vehicles.

Because of this weight power ratio, you have them creeping up the hills, and becoming road blocks to you, and you have the same condition, of them impeding acceleration, at the turn of the lights.

We, here in Ontario, are building extra facilities to take care of that poor performance-factor of these heavier vehicles by these so-called "creeper tracks" on the ascending side of a hill. That has to be carried over the crest of the hill for some distance to accelerate the normal flow of traffic.

That is not something which should be charged against the motorists, is it? Because it is the fault of the performance of the heavy vehicles, which is necessitating that extra expenditure.

Also, of course, there is the factor of the greater weight of these vehicles, requiring



more costly structures.

There are various ways of dealing with that. Some of them are highly complicated.

With regard to weights; I do not think the figures you have from California or Florida would be fairly applicable here, for the reason that frost causes much more of your structural costs here than in Florida or California. But that is something which can be fairly readily determined by the engineers, as to just what additional cost is involved in the way of providing adequate pavements for these very heavy vehicles."

I do not know very much about the Motor Truck Owners Association, but I presume it affects them, from what is written here (indicating).

THE WITNESS: I am a Director of the Ontario Motor League, and I have followed its discussions with a great deal of concern.

You have heard from other Directors, Mr. Weigel, and Mr. Sandrock, and the people from Hamilton, and I think the views expressed by the Motor League are views established many years ago, and, as Mr. Hastings said, they were read at the annual meeting by the president, and nobody dissented, and there they are.





But when he started going into the realm of the weight-distance tax, he made it quite clear it had never been discussed by the Motor League, and the Motor Truck Owners Association had never discussed the matter.

As a matter of fact, the leading members of the Motor Truck Owners Association are members of our organization. It is simply a token organization, and if the Secretary had not heard from some of them by now, I would be surprised.

They have not had a meeting for quite a while, and Mr. Hastings had no business in even using its name in the submission.

MR. AULD: I was anxious to have your comment on that.

THE CHAIRMAN: That is fine. That disposes of the Motor Truck Owners Association.

MR. ROOT: Mr. Goodman says the Transport Association favoured the gasoline tax, and I asked a question, when he was here -- maybe he does not want to comment on it -- if the province decided that for the purpose of raising more revenue for the Treasury of Ontario from the transport industry, and if they were to reduce the license fees, and take out



some of these inequities, would you, Mr. Goodman, favour a graduated fuel tax?

THE WITNESS: Our people have not discussed this. I am familiar with the experience in the United States, and my only observation is, if it is felt on sound ground that any segment of the trucking industry is not paying its fair share toward the cost of building and maintaining our roads, I cannot think of any objection to any increase in the taxes.

However, we believe that between the fuel tax and the gasoline tax, there can be variations -- and again I must express a personal opinion -- if it is necessary for certain types of vehicles to pay more, it might be better to put it on the fuel tax, and it would be better to report fuel consumption than miles travelled, or tons carried, because you get a record of the gallonage of the gasoline consumption.

If you could pay an extra cent or two on gasoline, you report every month, and say, "Here is what we consumed". That would be a simpler type of tax, and one which does not require a great deal of bookkeeping and record keeping.

MR. ROOT: Just along that line, it seems to me -- I have thought of it a great deal -- that that type of tax should reduce the cost of administration.



All these weighing stations would be eliminated.

THE CHAIRMAN: Mr. Root, the weighing stations serve two purposes; they can be used --

MR. ROOT: I have no quarrel with that.

THE CHAIRMAN: -- for more than one thing. They say they want 120 weighing stations, and Mr. Fulton said the overloading was about 11 percent.

BY MR. AULD:

Q. Do you think the overloading would show a marked decrease after a very short operation?

A. Last Tuesday, at our Association convention, an official from the Department of Highways presented a report on "Enforcement" and this is the statement he made:

"It is of interest to report that in the six-months period ending October 31st of this year, over 42,000 vehicles were examined by our officers. Arising out of this, there has been a total of over 500 convictions registered for infractions under The Public Commercial Vehicle, the Motor Vehicle Transport and Highway Traffic Acts. Of this number, 275 were convictions under the Public Commercial Vehicles Act, 29 were registered under The Motor Vehicle Transport Act (Canada), 203



under section 36(1) of The Highway Traffic Act (excessive gross weight), and 26 convictions under other sections of this Act."

BY MR. AULD:

Q. How many were weighed?

A. 42,000 vehicles were weighed and examined. One-half of one percent. of the total number of vehicles which were weighed were either under-licensed or over-weighed. That was a rather surprising statement to me. I felt, in view of some of the statements, that maybe it would be a great deal higher.

MR. MacDONALD: If you take a percentage of the general public who violate the law, and have a fine and conviction registered, you may find it is just as low.

MR. ROOT: No. I think the point they tried to establish was that the problem of over-loading is not as great as we were led to believe. With the weight-mile tax, there is a tendency to under-license trucks. The average trucker, I know, licenses for the maximum he can carry and be within the law.

BY MR. AULD:

Q. To get back to this division of fuel taxes: I find here:





" A Report to the Minnesota Highway Study Commission by the Public Administration Service in 1954, frankly evaluates the contention that any such plan would be an acceptable alternative to the weight distance tax in respect to record keeping: 'The alternatives suggested include registration of some trucks from each fleet in each state in proportion to the mileage traveled and the payment of fuel taxes for fuel used in each state. Quite apart from the difficulties imposed upon a three truck owner who operates in five states in meeting such a requirement, the alternatives ignore the fact that distance and fuel consumption records would have to be kept at the same level of detail as recommended above (weight distance tax) in order to compute the total miles traveled in each state.'

The fuel tax feature provides that the carrier must either buy enough fuel in Virginia to cover the extent of his Virginia operation, thereby paying the fuel tax to Virginia , or, if he buys fuel elsewhere, he must pay Virginia an amount equivalent to the appropriate tax."



Then it goes on at some length, and we see the following, which I will repeat:

"The alternatives ignore the fact that distance and fuel consumption records would have to be kept at the same level of detail as recommended above (weight distance tax) in order to compute the total miles traveled in each State."

Mrs. Long said, in answer to an enquiry I sent to her, in one paragraph:

"The amount of record keeping which would be required for both the dealer and the carrier to prevent evasion, renders such a plan fairly unpalatable to everyone concerned. This is, of course, in addition to the basic deficiencies of the gas tax per se as a measure of highway use."

THE CHAIRMAN: You are commenting on Mr. Goodman's proposal that the Association would favour an increased gasoline tax for their vehicles, over the weight-distance tax?

THE WITNESS: No. The first statement I made was that if additional revenue was necessary, the gasoline tax was the medium which should be used.

If it was found, on a sound study, that motor trucks in a certain category were not paying



their fair share for use of the roads, then we would have no objection to any increase on vehicles or classes of vehicles.

Then the question was asked by Mr. Root as to how we felt about a special fuel tax, and I pointed out that it was not considered here.

Then I expressed the personal opinion that I felt it would be much more desirable and an easier type of tax for record keeping than the weight-distance tax.

THE CHAIRMAN: I would think, just from looking over this (indicating) that it would be extremely difficult to hope to get any accurate figures as to the amount of gas which went into any combination or truck, or even a car?

THE WITNESS: No; the carriers have to keep records of the gasoline they consume.

BY THE CHAIRMAN:

Q. Let us face it. If you attach a trailer to a tractor, and fill it with a load, and then start out from point "A" to go to point "B", the tractor may use half a tank of gasoline hauling the trailer.

A. If I operate a fleet of trucks and I have 10,000 gallons at my terminal, I would want to know where that gasoline goes, and my man in charge of the





gassing the vehicles, gives me a statement.

Q. That is very interesting. We have some information from the State of Virginia on this sort of thing. It is another variant of the third-structure tax.

A. We do not consider that a third-structure tax. It is an added tax. It is in the realm of the present gasoline tax and the registration fees.

BY MR. AULD:

Q. Suppose we have an operator who has ten vehicles, five of which fall into this classification which pays the extra fuel tax. From the point of view of preventing evasion, how will you figure what fuel goes into your mileage records for checking purposes?

MR. ROOT: You get a record every time you fill the tank.

MR. AULD: You have to have some check to see what mileage he is getting.

MR. ROOT: That is easier than taking the mileage for weight-distance. You have to have the mileage of every individual truck.

The point I am getting at is it will be a great deal less costly for the government, if they do not have to establish a whole flock of



weighing stations. Then they have to establish their weigh-scale men, and they have to establish a great many of different pieces of equipment throughout the province.

MR. AULD: Have we not had it suggested that whether or not we change our present tax structure, we need more weighing stations?

MR. ROOT: I do not know. From what Mr. Goodman suggested last week, he did not know whether they had or not.

THE CHAIRMAN: Mr. McNab will be here this afternoon, and can answer that question.

MR. MacDONALD: I have a general observation to make upon what Mr. Goodman has said. You suggested, after a most scientific study, that if it was decided more tax was required -- and I presume that would even include the weight-distance tax -- your industry would be willing to accept it.

THE WITNESS: It would not include the weight-distance tax.

BY MR. MacDONALD:

Q. Maybe then you have answered my question. I wanted to ask you this: that in the United States, they have looked at this question of the weight-mile tax, and that has been fought by the Truckers Association. We have a



quotation from Governor Dewey, that the lobby with which he had to contend was the second most vicious one in his political career.

We had a statement from Mrs. Long that members of the Legislature have been threatened, cajoled, and even bribed, and she stated that there was \$180,000 provided by the Truckers Association in the State alone to fight this, with the assurance that more could be had from the organization if it was needed.

What happened in Oregon was that they had a referendum, and the Truckers Association across the whole country tried to defeat it.

If that be true, then in Ontario must we anticipate this vicious lobby in an attempt to frustrate us for the next five or ten years?

A. I think that is an unfair question to ask me.

Q. It may be unfair. The Truckers Association has been doing it consistently across the line, and their relationship with the Truckers Association in Ontario is pretty close.

MR. YAREMKO, Q.C.: I do not think that is a fair question.

MR. ROOT: Has that been proved in court?

THE CHAIRMAN: I do not think Mr. Goodman can attempt to answer that question. He cannot.





THE WITNESS: I cannot, and I would not. This Committee has heard part of the story from New York. This Committee does not know the political intrigues which were behind the tax in New York and Ohio. This Committee does not know that it was a railway-sponsored organization which advocated the taxes. The taxes in Ohio and New York resulted from rail pressure groups.

THE CHAIRMAN: I can tell you, Mr. Goodman, I do not think the Committee is going to consider that, because I think we are quite able to examine the tax, in view of our own situation in Ontario, and make up our minds whether it is good or bad.

We will draw on some of the statistics we can secure from the United States. We have a fabulous amount of material now, and we must attempt to organize and digest it.

All this background, be it from the trucking industry or the railways, cannot concern us, because we will be then sitting in judgment <sup>what</sup> on the trucking industry and the railways did in the United States through their associations, and we will never be finished.

THE WITNESS: I am glad to hear you say that. I think it was a sorry state of affairs when





Mrs. Long came here. She took up so much time of the Committee in blaming the trucking industry in the United States, and the question was raised, "Will we do the same thing?".

I can tell you the trucking industry in Ontario, in the first place, has not the money to make such a lobby, and from enquiries we have made, I can say there was not any such money spent there, but it was a political battle between two competitive agencies, and these taxes were the result.

MR. MacDONALD: I do not want to make it embarrassing, but I hope what you say is true. Frankly, I have been a little alarmed at some of the tactics of the trucking industry.

It is the right of any organization to lobby, but when the kind of thing which happened last spring, when you had this oyster party, only government members were invited. The C.C.F. and Liberal members were not invited, and it struck me this might be a preview of the kind of approach the Truckers Association was taking. If I am wrong, I will be glad to learn that I am, and let future experience guide me on it.

THE WITNESS: If you are referring to the fault, it does not lie on any one individual. The particular company, which happened to be a member of



our Association, happened to set up an oyster party, and 'said the size of the hall permitted only the accommodation of so many people --

THE CHAIRMAN: I do not think we will pursue that line of discussion in this Committee.

MR. YAREMKO, Q.C.: In all fairness, I do not think the question by Mr. MacDonald is very fair, and I do not think it should have been asked.

On the other hand, Mr. Goodman, I was more than surprised to hear the remark passed at a recent meeting of your Association, I believe, in which some man with some authority in the Association, alleged that the railway people "had a pipe line into the government". That is the type of remark which leads to recriminations on both sides. I do not know whether you heard the remark.

THE WITNESS: I did not hear the remark, but I believe the remark was made that the railway company "had a pipe line into Queen's Park".

BY MR. YAREMKO, Q.C.:

Q. That would lead the citizens when reading the newspapers to believe that there is such a pipe line. It is the same as if I was to make any remark, there are many people who have sufficient doubt raised in their minds, which would cast reflections.



A. I can say this, although it is aside from what the Committee is discussing, that the reason behind the remark was simply this; that a member of Parliament made a speech in the House in which he made certain statements which were damaging to the trucking industry and then he said that those statements were prepared by the Railway Association, and next we find a Railway Labour Group, submitting a brief to the government, in which was quoted what this member of Parliament said, and stated that if the member of Parliament said it in the House, it must be factual.

This rather disturbed our people, It did not say the member of Parliament was merely quoting from a brief from the Railway Association, and we were quite concerned to see a member of Parliament rising in his place and reading into the record some Railway Association propaganda, and using that in their public-relations programme.

THE CHAIRMAN: If I were to read from this brief, it would lead to the belief that the Truckers Association "had a pipe line into Queen's Park". We have to consider quite a great deal of material which is presented to us.







THE WITNESS: We have to use certain language in talking to our own people, to bring them to their senses, and have them realize just what is going on.

Unfortunately, there are too many people in businesses which are competitive, who will say, "This cannot happen; this would not happen; it could not happen". But it does happen.

The only way we could make them realize what is happening is to say something which will make them "stand up and take notice".

We made it quite clear that it was not said there was a "pipe-line into the government", but "a pipe line into Queen's Park".

THE CHAIRMAN: Such remarks do not reach only us. There is no use in continuing this discussion, I do not think.

MR. ROOT: When I arrived back from the oyster party, the railway men were sitting in the gallery, and one of them said, "I guess you are slipping; you did not get to the oyster party", and I said, "The pass which the railway furnishes to me far outweighs all the oysters you can bring". I think that is true.

----Procedural discussion followed, not reported.

MR. GOODMAN: May I leave these with you?



(indicating). The first is a newspaper article under date of November 6th. There was a referendum vote on the weight-mile tax in the State of Nebraska, and it was defeated.

There is another article which gives some rather interesting statistics on Ohio, showing the amount of tax being collected, and the amount of tax assessment.

Thirdly, there is a little document, which I was surprised to find existed. It is a minority report from New York by a member of their Motor Carrier Licensing Committee. I did not know there had been one.

I would like to leave a copy of it with the Committee.

THE CHAIRMAN: We will be glad to receive it, and it will all be considered.

If there is nothing further,,we will adjourn now until this afternoon.

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---Whereupon at 1:00 o'clock, p.m., the further proceedings of this Committee adjourned until this afternoon at 2:30 o'clock.



A F T E R N O O N   S E S S I O N

Toronto, Ontario,  
Tuesday, November 27th, 1956,  
2:30 o'clock, p.m.

- - - - -

The further proceedings of this Committee  
reconvened pursuant to adjournment.

Mr. J. P. Robarts, Q.C., Chairman,  
Presiding.

PRESENT:

Messrs. Auld,  
Sandercock,  
Child,  
Root,  
Mackenzie,  
Yaremko, Q.C.,  
Jolley,  
Manley,  
MacDonald,  
Mr. D. J. Collins, Secretary.

APPEARANCES:

Mr. A. G. McNab,	Registrar of Motor Vehicles, Department of Highways, Ontario.
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Mr. P. T. Clark,	Controller of Revenue, Ontario Government.
Mr. Joseph Goodman,	General Manager, Automotive Transport Association Inc.
Mr. C. Higgins,	Automotive Transport Association Inc.
Mr. H. Pearson,	Northern Transport Limited.
Mr. R. McBeth,	Editor - Bus and Truck Transport.
Mr. C. W. Tanner,	Toronto-Peterboro Transport Ltd.

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THE CHAIRMAN: Gentlemen, we might get under way. We have a quorum present. I do not know where the other members are.

Mr. A. G. McNab has come over to see and speak to us, about the question of weighing stations, and weight-enforcement.

A. G. M c N A B,

Registrar of Motor Vehicles, Department of Highways, Ontario, appearing before the Committee, but not being sworn, deposes and says:

BY THE CHAIRMAN:

Q. Will you please proceed, Mr. McNab?

I think you will find, if past performance is





any indicator, that questions will develop as we go along.

A. Actually, in regard to the weighing of vehicles, there has been some concern in the Highways Department, because of the maintenance costs, and to secure some information on this, they asked if we, in our Department, would use our public commercial vehicles for inspecting and doing some of this weighing, to see if we could get some information for them. I was quite in agreement with that.

As a result, we purchased a mobile weighing unit, which is a trailer, drawn by a jeep, and which can be placed any place for our purpose, and then we proceeded with a weighing programme.

In conjunction, we also checked many of the weigh stations which we use periodically, under the Highway Vehicle Act, as one ties in very neatly with the other, because of the vehicle having to be stopped and checked.

Since the 1st of September, we have checked 13,170 vehicles. They were all weighed. The infractions, under Section 36 of The Highway Traffic Act numbered 278, or 2.11 percent. of the total vehicles checked.

Q. Where those all weight infractions?



A. Yes, those were all weight infractions.

In doing this, of course, there were other checks made with regard to the provisions of the Public Commercial Vehicles Act, and regulations, but I did not bring that information with me, in that regard.

BY MR. MANLEY:

Q. Of those infractions, Mr. McNab, were they much in excess of the gross load the vehicle was supposed to carry?

A. We found, upon checking, that mainly the infractions were where the weights exceeded the permissible gross weight, not the registered gross weight. We did not find a tremendous number of people registering vehicles at a lower gross, in order to "get away" with carrying a greater load. The main infractions were for being over the permissible weight load.

We found the individual was operating a truck, and that he had a permitted gross weight, and most of the infractions were for exceeding the weight of that kind.

Q. Would he not have been giving a false statement in buying the license, as to the size of tires, and so on?



A. No. He registered at the maximum permitted for the vehicle he operated, then he may carry a load in excess of that.

Q. We had a figure from Mr. Goodman this morning of 40-some thousand inspections being made over a period, and a certain number of infractions. I asked Mr. Goodman at the time whether these inspections included weight inspections, or whether there might be checks other than for weights, and he said that his information was that these were all weight inspections.

A. I think those were from the 1st of January.

Q. In other words, this year?

A. Yes. Those I quoted were from the 1st of September, when we actually took over this particular programme, and tried to secure some information. The other probably would not be as accurate as this (indicating), because it commences on the 1st of January, and runs until some time in October.

We were doing both jobs, to some extent, at that time, and did not make any particular effort in weighing, because that was the responsibility of the Provincial Police, and we did it only in conjunction with our P.C.V. checks.

Q. Have you any information which would indicate





that, say, in the first half-hour after you set up one of the weighing stations, you found a fair number of violations, and then all of a sudden they seemed to disappear?

A. Of course we did to some extent. But what we did was to set up a mobile unit in conjunction with a permanent unit, and moved the mobile unit here and there, where persons might be going around.

Where the mobile unit was operating "on its own" -- and I can think of a number of locations -- certainly, for the first couple of days, there were more infractions than afterwards. In fact, they were cut off almost entirely. The unit could move around, and come back in a week, and still there would be no particular infractions.

Q. Would you say that along most of the highway, one permanent station, and just one mobile station would be sufficient to cover the area?

In other words, if you put a mobile station south of the highway on which you were checking, might you not have people going around to the north?

Perhaps I am imputing too much "shenanigans" and "skulduggery" in regard to overloaded traffic, but from what we have heard, the word does get around very rapidly, and the violators seem to disappear.



A. That is right. Some disappear because they know a check is being made, and they then comply with the provisions of the Act.

Some may take a devious route to arrive at the same destination, but certainly the mobile unit, in conjunction with the permanent station, is something which has eliminated that situation to a very great extent.

BY MR. MacDONALD:

Q. Would you consider 3 percent. convictions for over-weight, a high percentage or low, or what?

A. In my own personal view, I believe it is reasonably low. I thought it would be higher than that when we started operations. I was rather surprised.

BY MR. ROOT:

Q. What type of truck was overloaded? Was it a truck hauling livestock, or cartage freight? I have reason for asking that, because I have had one conviction for overloading livestock.

A. Ours, Mr. Root, were general, over-all types, and you could not see any difference. A great deal would depend on the location you picked to do your checking. You may run into an area where they would not be affected by it, but, in the main, I do not think it is limited to any particular



<sup>1</sup>  
group over another, with, of course, some exceptions. Certain things lend themselves to over-loading, for instance, gravel trucks and cement being carried.

That type of thing lends itself more to over-loading than some commodity where there is a certain weight, and where you can count the number of items you put on, and you know the weight.

The weight of the overload of cement or gravel is much more difficult to assess.

Q. If you go into a farmer's stable, and he has ten steers, he may estimate they weight so much, but they may weigh more?

A. That is right.

BY THE CHAIRMAN:

Q. Were these locations of the checks spread throughout the province?

A. We have covered both east and west, and north to a point.

BY MR. MANLEY:

Q. Did they take in the site of the project in the Cornwall area?

A. They have been down in Ottawa. I am not sure of the exact location. They were down in the Ottawa area, and found the situation quite good.

Q. I understand that after the project was



started, the Provincial Police got after a few truckers in that area, and found a considerable number of trucks were overloaded. I think perhaps what brought it about was a complaint from the then county officials, that they were breaking up the highway.

A. That may be right.

BY MR. AULD:

Q. By the same token, after the inspections were done, there were a great number of people applying for P.C.V. licenses?

A. The average overloading was 6,300 pounds per load -- a little over three tons.

BY THE CHAIRMAN:

Q. Overloading of that size, could hardly be accidental?

A. I would not think so.

BY MR. MANLEY:

Q. That was the average?

A. Yes.

Q. What was the highest in that category, Mr. McNab?

A. I am speaking only from memory, and from seeing the lists, but I think there was one of about ten tons.

Q. You can imagine the damage that would do to





some of our highways?

A. Yes.

BY MR. AULD:

Q. Just going over it once?

A. Yes. Your engineers will not agree with you. They say the highways will stand any load.

I understand there are permits issued for certain types of loads which exceed the prescribed limits for machines, which cannot be broken down.

Q. Of course, they are running at comparatively low speeds?

A. Yes, and they are not considering the continual overloading, which will so affect the highways.

BY MR. ROOT:

Q. Did you find any evidence that the overloading was by one particular person or transport company?

A. No.

MR. MacDONALD: He would be a foolish man to do that continually.

BY MR. CHILD:

Q. Would the figure of 2.11 be sufficient to warrant the additional expenditures on weigh stations?

A. As long as I register commercial vehicles on a weight basis, it is very important to have adequate



weighing stations. If you are going to prevent overloading, that is the only way to do it.

BY MR. ROOT:

Q. What would be considered adequate?

A. There is a committee in the Highways Department now, trying to come up with a form of an adequate system of weighing for presentation to the hon. Minister.

BY MR. AULD:

Q. To get back to the question of a moment ago, only because this figure seems very low to me, and I have no evidence to show that it is incorrect, of course, but I cannot help but think that those infractions might well have been found in the early part of any check.

A. That is quite correct. That will probably clear itself to some extent. The longer you leave your unit in one place, the less your percentage will be. There is not much doubt of that.

Q. Have you any figures which would give the number of infractions found in the first hour or two hours, or a day, by the check?

A. I can get those figures. I have not them with me. I have the complete figures by dates.

We certainly did notice a dropping off if



the unit stayed in one place for any length of time, because the operators knew that somebody was checking, and they then controlled their loads.

Q. I know the experience of our municipality, because when they put motorcycle policemen in Brockville, for instance, to try and catch the people who were simply "boiling" through town at a very high rate of speed, they generally caught about two in a night, but a few days later, the heat is off, and it starts again. There seems to be a good system of communication in that regard.

BY THE CHAIRMAN:

Q. How much do these mobile weighing stations cost?

A. I think it is about \$3,200. with a trailer, and this unit which has the loadometer scales runs over them and picks them up and carries them, without your having to pick them up manually, and they can put them down any place, and when they are ready to move, the trailer backs over them, and picks them up again, and they move on.

Q. We are told the electronic weighing unit can actually weight a truck without stopping.

A. What is the advantage of that?

Q. One great advantage I see is that you do not





unnecessarily hold up traffic, if you can take the license number of a truck and its weight, without it stopping.

A. And they issue a charge, if necessary?

Q. Yes.

A. I do not know how that would work out.

Q. I do not either, but you could set it on any part of the road, and you could check every truck which went by, and you would not necessarily stop any of them; you could take their weights, and, if necessary, lay a charge some time later on.

A. That is quite correct. The engineers have just installed permanent units of an automatic nature, and I just put a man on in order to secure some information, and see how useful it is in operation.

Q. Can you give us any idea of the number of weighing stations presently operating in the province?

A. That I cannot, no. The engineers have all that information. It is being prepared for the hon. Minister. I think they have installed a new one at Huntsville, and I believe one will be opened this week at Port Colborne.

Q. Those are in addition to the ones presently operating?

A. That is correct.



Q. How many are there now?

A. I would be guessing to a great extent, Mr. Chairman. I am not sure. It seems to me there are about fifty weighing stations, but I would not think they are all in a condition to operate.

I am sorry, but I have not that information.

BY MR. MacDONALD:

Q. What does the new programme envisage, Mr. McNab? How many mobile units?

A. Actually, it has not yet been decided. They are calling a meeting to have the information produced. I have thought they just came up with an adequate programme of weighing, and no decision has been reached as yet.

BY MR. AULD:

Q. Does not the Department of Highways' budget this year include funds for twenty additional stations?

A. I do not know. I have nothing to do with the Highways' budget. I am in the Motor Vehicles Branch.

BY MR. ROOT:

Q. You mentioned something about dump trucks overloading; have you any idea of what percentage, over ten tons, are dump trucks?

A. I cannot hazard a guess. I am not so sure



they have that information broken down into types of vehicles.

THE CHAIRMAN: Are there any further questions anybody would like to ask Mr. McNab?

BY MR. ROOT:

Q. Are these figures available? Could they be broken down?

A. You mean figures in relation to the makes and types of vehicles?

Q. Yes.

A. Not at the present time, no. You would have to make a manual check of all the stations.

We are attempting to set up a more adequate form of statistical data, so as to get that information from our records.

Q. We should be sure that we do not put too large a percentage of vehicles working on the road for the provincial government. If we tax them, we are spending more.

BY MR. YAREMKO, Q.C.:

Q. Have you any figures to show the amount of fines levied against the 273 offenders?

A. No, I have not. It is rather difficult to tie them back into the particular charges. The actual fines are not levied until some time later, and



they are not tied back into the original charges.

I could secure information as to the amount of fines collected in a lump sum as a result of charges laid under that section of the Act.

Q. There were, I think, 133?

A. No. Out of 13,170 vehicles checked, 278 were found to be overloaded, and were charged.

Q. Can you give us a lump sum, to show what the fines were?

A. I can secure that.

BY MR. MacDONALD:

Q. What do you mean by saying "the fines are not tied back into the infraction"?

A. We do not tie them back actually statistically.

BY THE CHAIRMAN:

Q. As I understand it, your P.C.V. inspectors did the weighing?

A. Yes.

Q. Then the charges were laid by the Provincial Police?

A. No. Our inspectors lay the charges in conjunction with charges under the P.C.V. Act. But we do not tie them into fines statistically, that is, into the charges which were laid.

Q. Did you have any difficulty securing con-





victions?

A. No.

BY MR. SANDERCOCK:

Q. Is a mobile weighing apparatus fairly accurate?

A. Very accurate. We have found them so.

BY MR. ROOT:

Q. Do you weigh one axle at a time?

A. Two at a time. I should say we weigh two wheels at a time. I am sorry. One axle at a time.

THE CHAIRMAN: Is there anything further, gentlemen? (No response).

If not, we thank you very much, Mr. McNab, for coming over and giving us this information.

---The witness retired.

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P H I L I P T. C L A R K,

Controller of Revenue, province of Ontario, a witness appearing before the Committee, but not being sworn, deposes and says:

BY THE CHAIRMAN:

Q. Now, Mr. Clark, when we first asked you to appear before us, we wanted you to tell us, if you



would, some facts concerning your investigation into the weight-mile tax, as it is applied in the State of Oregon.

I have learned, since that time, that you have spent some time during the last two or three weeks in the State of California.

Perhaps you might start with the Oregon picture, and after that, you might tell us what you learned in California, and from whom.

I hope we may follow our usual procedure, and if you will develop your own remarks, the questions will come from the Committee, as you proceed.

A. Well, I visited the State of Oregon in June, for a day and a half. It was a very short visit. I was at Victoria, on other business, and stopped off while I was there, and went down to see what they had to show me.

I spent all of my time with Mr. Bjarne Ericksen, the Director of Motor Vehicles.

Mr. Gathercole was there in September, and I have a copy of the observations he left with you, which I have read, and, generally speaking, I agree with everything he says. He has not made much of the so-called "observation reports". I have a few copies of this little slip here (indicating) which is



headed:

"Public Utilities Commissioner of Oregon.  
Motor Transportation Department".

It says:

"Report of observed movements of trucks,  
trailers and passenger buses, bearing P.U.C.  
number plates, operating on the public high-  
ways at points beyond the three-mile limit."

Mr. Gathercole has stated that this is used  
only by the State Police, but according to the informa-  
tion I received from Mr. Ericksen, it is used by the  
State Police, and by employees of the Public  
Utilities Commission.

I have an extra copy of an analysis of  
motor vehicle taxation in Oregon, which shows the  
various kinds of reports filed in 1953 and 1954. The  
P.U.C. field employees put in 4,000 of these  
observation reports each year. According to this  
statement there were about 54,000 put in by the  
Provincial Police.

This seemed to me to be a good idea in  
one way, and that probably is the reason for the lack  
of evasions in Oregon, because nobody knows when they  
are being observed.

Mr. Ericksen told me that the number of  
these observation reports is increasing.





They arrive several hundred per day, and are placed in the files of the various truckers, who are reporting monthly, and it shows the date, the time, the mile post, and the nearest town, and the P.U.C. number, the number of the State highway, and the direction, north, south, east or west, and a description of the load and remarks.

It shows the Department of the State in which the employee is engaged, and a space for the signature.

This card is a "Gestapo" sort of thing, and I cannot help but have some strong objections to such an idea for keeping evasions down.

Q. What do they do with these cards, Mr. Clark?

A. They are placed in the files of the P.U.C. numbers. Each trucker has a file. If he has a P.U.C. number, he must file a return once a month, showing a complete log of where he went with his truck, and the mileage.

On the basis of that, he assesses himself the tax at whatever rate is applicable for the gross weight and the load of his truck.

This is not a ton-mile tax; it is a weight-mile tax. The weight is constant, just the same as our registration fee is related to the gross



declared weight.

This observation report is simply filed. When the auditors go through the files, they see that P.U.C. number, for instance, 2850, was seen on such-and-such a road, and if it is not shown in his report, then they haul him up, to find out why it was not on the list. It is his onus.

BY MR. MacDONALD:

Q. Do I conclude correctly that evasions in Oregon are very, very low?

A. They claim less than 1 percent., Mr. MacDonald.

If I may digress for a moment; as your Chairman has said, I was in California last week, and the week before to attend two conferences, and I also visited Sacramento, and I spent the whole of my time, except when general sessions were on, at various sections of these conferences, dealing with the highway use tax.

I heard an extremely good talk by Mrs. Winnifred Long, who is the Director of the Joint Legislative Committee on Carrier Taxation at Albany, New York, and whom I believe appeared before you gentlemen.

THE CHAIRMAN: Yes, that is right.

THE WITNESS: She said evasions in New York



are on the order of 4 percent., but she said the main reason for this was the lack of a weigh-master programme there, and she said when they started their tax there, they had no weighing stations of any importance; now they have about twenty-two, and it is their aim to double this number, if not more, and when their weighing programme is completely adjusted, they should have a much smaller number of evasions than they have now.

Now, going back to Oregon: Mr. Ericksen told me that the weighing programme was absolutely a pre-requisite of the success of the weight-mile tax. It would seem to me that it is a pre-requisite of the success of any taxation system, which is related to weight.

He said if Ontario is contemplating a weight-distance tax, they should have the weighing programme completely in operation and very active, that is, that the weighing stations should operate most of the time, and not just a little.

They have about 53 stations there, and some of them are operating eight hours a day; some, 16 hours a day, and some 24 hours, depending on the activity on the highway.

They put a sign down the road saying, "You



must stop", and if a truck passes, it is either chased or they telephone ahead to the next one.

The State is small, compared with the province of Ontario, and 53 stations means a very wide coverage in Oregon, whereas, 53 stations in Ontario would not be as wide a coverage.

Mr. Gathercole said that the cost of administering the Oregon tax was 3.88 percent., but I think he gathered that information from a report of the Motor Revenue Department of the Public Utilities Commission of Oregon, which shows for 1954 and 1955, the weight-mile tax receipts, and then the distribution of them. All that goes into the State highway fund is 92.52 percent. of the amount which was collected.

Then there are shown the percentages of various costs: administrative expenses, .9 percent., auditing and collecting, 3.06 percent., machine records, 1.04 percent., examiners, 4.5 percent., permits 1.80 percent., and then something called "rates and tariffs", .22 percent.

In other words, the various costs total 7.48 percent of the total receipts of weight-mile tax.

All that is included in the 3.88 percent., were "administrative - cashier; field auditing, certain accounting and collections costs, machine





recording, and issuance of permits."

But there is something missing from that, which is not set out in this schedule (indicating). I do not know just what it is, but I believe the cost is greater than Mr. Gathercole indicated.

Mrs. Long, in speaking about New York, said that the cost there was 9.5 percent., but in discussing it, following her paper, it appeared that this percentage included the cost of running their 22 weighing stations, and she was agreeable to saying that the real cost was perhaps only 5 percent.

I think it would not be correct to say that the cost of the weight-mile tax should include any part of the weighing costs, because that is a cost that would be incurred under any system.

That should not be included, because as long as you have any kind of a weight structure in your taxation system, it must be there, so it should not be charged in figuring the cost of the weight-mile tax system, as compared with any other kind of system.

BY THE CHAIRMAN:

Q. Do they make any allowance in their costs for fines collected as a result of the operation of the weighing stations?



A. I have not them here, but I have figures in my office which show that their fines balanced, or slightly exceeded, the annual cost of weighing stations, and the weighing stations were costing them about \$450,000, and I heard that their fines amounted to about \$500,000 per year.

Another thing is this: Mr. Gathercole mentioned there were 88 people on Mr. Ericksen's staff, but it seems to me there are other people who are involved, and according to the report of the Western Highway Institute -- and I believe you have copies of these -- on page 4, it shows the personnel of the Oregon State system of motor-vehicle tax, as a staff of 202.

It would seem to me if we were going to put in a weight-mile tax in this province, we would need more than 202 people. If it takes 202 people to do the job in Oregon, certainly the cost of raising about \$13 million, is very close to \$1 million, <sup>if</sup> and we put in a commensurate tax, exactly the same, here, from the studies I have made of it, we would not receive any more than \$13 million, and it would cost us a great deal more, I think, to collect it, because our area is so much greater.

Another thing which impressed me in Mrs. Long's



talk was that the entire revenue from this source in New York is only \$15 million. Well, \$15 million compared to the additional money which I think the province needs to take up the backlog of capital construction of highways, and the resultant additional maintenance is very small. The need would be for several times \$15 million.

I would reiterate in closing these remarks that I think the most important thing to be dealt with is the weighing programme. I do not think our weighing programme in Ontario is adequate, and if it were extended -- doubled or trebled -- and we spend \$1 million per year, I think we would secure nearly that amount in the additional fines for violations.

I believe that when the registration fees on the 1st of January of this year were increased by 40 percent. or 60 percent., the declaration of weight went down, not generally, but here and there, and we lost revenue because of these infractions going on all the time, not only under the P.C.V. licensed holders but with general commercial vehicles. I think they extend "right through the piece" from the smallest to the largest trucks.

I think we need weighing stations in the very worst way. They would save in maintenance,





because the fines and penalties, if severely imposed, would pay, I would think, almost entirely the additional expenses.

BY MR. MacDONALD:

Q. Is that figure of 202 personnel, for the weight-distance tax, paid from their general highway revenues?

A. I am not sure, but this is what it says:

"Administration, 22; permits, 49 -- "

Q. They are setting out the permits for the people who are going to pay the weight-distance tax?

A. This goes on:

" -- rates and tariffs, 5; auditing and accounting, 71; machine records -- "

that is, the I.B.M. machines -- " 23;

" -- examiners, 10; finance and accounts, 12; engineering, 10."

These are the number of people who make up the 202.

Q. Those are the ones who makes up the 202, did you say?

A. Yes. I was not able to find out where the receipts came in there, and also I was not able, in this report, (indicating) -- although I believe it is in one of these books -- to find, for instance,



"administrative expenses of the distribution of the weight-mile tax receipts, \$107,700."

Then there are:

"Administrative, \$30,000;"

"Field and audit"- I think that is \$233,000, but the "auditing and collection" is \$368,000.

I could not reconcile this information at all.

BY MR. AULD:

Q. Would there be any combination of functions of people in their State Highway Department or their Public Utilities Commission, who previously just collected license fees, but now have an additional duty of doing something with the weight-mile tax?

A. They still collect those license fees.

Then there are the registration fees. I think those were materially reduced, from what they were before.

Q. Well, Mr. Clark, did you make any rough comparison between, let us say, in our own Motor Vehicle branch, of the people who are presently involved in administering the P.C.V. and the P.V. licenses, in the event that there was some third-structure tax, who would be able to be --

A. Transferred?

Q. Yes, transferred; -- or would have any



additional duties under a new arrangement?

A. No sir, I did not make any comparison like that, because I had no real knowledge -- and I do not have it yet -- as to what staff would be necessary to run the weight-mile tax.

But I made a comparison of running the cost of the Motor Vehicle branch this year, in relation to the revenue which came in.

Last year, -- and I think I am right -- or, I should say, 1954 -- 1955, which is the most complete year in which the old rate of registration fees were on the books , that amounted to about \$30 million.

I think the cost of that was about 3 percent. This year it will be pretty close to \$45 million, because of the increase, but the costs will not go up proportionately. I would expect that the cost would be in the neighbourhood of 1.5 percent. or 1.75 percent. -- it will be under 2 percent.

BY MR. AULD:

Q. What is the percentage of cost for administering the gasoline tax at the present time?

THE CHAIRMAN: Mr. Gathercole gave us a figure on the second sheet, at the end of the figures, in the footnote.

THE WITNESS: I was going to say it was about



1 percent. It might be less, actually. I would like to check these figures. I have the exact figure in my office.

BY THE CHAIRMAN:

Q. As I recall, we were told by Mrs. Long that they expected, as is the case with many taxes, that the cost of collection has a tendency to drop as more experience is gained in administering the tax.

A. That is right.

Q. Not in every case, but in many cases, they expected their percentage of costs would decrease.

Is there any indication that is true in Oregon, where they have had this system for some years?

A. They may have, yes.

Q. Depending, I suppose, on whose figures you took.

A. They may have. I do not know how long they <sup>report</sup> have had this observation/business, but I would think before they undertook their weighing programme, they would probably have just as good a record.

There is no doubt in my mind but that there is greater cost in Oregon than in New York, but I think there is one point of difference. In Oregon, I think the weight-mile tax starts at 6000 pounds, whereas in New York, it starts at 18,000 pounds. But there are so





many more in New York, that the 18,000 pounds brings them in the same amount of revenue they receive from the 6000-pounds system in Oregon.

Q. Do they not have a great many exemptions in Oregon?

A. All farm trucks --

Q. Then there is the three-mile limit.

A. Yes, outside the urban centres.

BY MR. MacDONALD:

Q. I am puzzled about these new figures of administrative costs. For quite some time, we have been securing information consistently from other sources, that in Oregon it was three-point-something; Ohio was four-and-something, and New York was eight or nine percent. If these figures (indicating) are correct, the figure is about from seven to nine percent.

THE CHAIRMAN: They have divided into two, and said "this applies" and "this does not".

THE WITNESS: Yes.

BY THE CHAIRMAN:

Q. And what seems to me to be wrong about the disbursements is that ninety-something percent. is in one category, so the difference between that percentage and one hundred percent. goes into another category. Is my analysis correct?



A. Yes. I must admit I did not spend enough time with them to ask these questions, to make sure of what these costs actually mean, and what the difference means, because they show two sets of costs, which accounts for the difference.

BY MR. MacDONALD:

Q. The difference might be, as Mr. Auld said earlier, because they have people spending half their time on administration of the weight-mile tax, and half their time on the axle-tax or something else concerning revenue, and that cuts it down.

But I cannot understand Mrs. Long saying they had it down to 4 percent. Her statement was that originally it would require 120 weighing stations, as I recall the figure, and the income was \$14 million --

A. It is up to \$15 million now.

Q. Yes, and she conceded that because of the long legal battles, and the frustrations they had in attempting to administer it, and the inadequacy of the weighing system, they were only collecting a portion of the potential.

A. I do not know where this "4 percent." comes in.

BY MR. AULD:

Q. There seems always to be one great argument



between the proponents and the opponents of the weight-distance tax, and the division of the cost of weighing stations.

As you have pointed out, Mr. Clark, it is apparent that any system of licensing based on weight requires weighing stations, and if there is no system of weight licensing, and if you have local load limits, by which the rates are built, you require some check to preserve those rates.

So there is a division of opinion as to what the proportion should be, to be borne by each.

The money has to be spent. It does not go into the highway revenues, and it is spent on what you might call "non-highway building", but as to what proportion should be charged to each, is probably a fertile ground for argument.

THE CHAIRMAN: On that sort of tax?

MR. AULD: Yes.

THE WITNESS: This statement, which shows 92.5 percent. going into the state highway fund, shows that the other 7.5 percent. represents costs outside the cost of weigh-stations. That cost is in a different department altogether. It is administered by the Secretary of State in Oregon, and not this Public Utilities Commission.

BY MR. CHILD:

Q. That figure of 7.5 percent. is minus the cost





of the weighing stations?

A. Yes; it has nothing to do with weighing stations at all.

Q. It seems that would be getting pretty high, if you started including that.

MR. AULD: Providing that is all in the weight-distance tax.

THE WITNESS: The weighing stations, in effect, pay for themselves, through the fines which are collected from infractions. That is the experience in Oregon, that their fines exceed the annual cost of the weighing stations.

So that is balanced out.

BY MR. CHILD:

Q. Would not the 7.5 percent. be a high figure for administrative costs?

A. Well, I do not know. I have felt that, in order to obtain a low evasion figure, they have spent a great deal of money. It is a very expensive type of tax to administer, a very difficult type to administer.

---The continuation of this answer was reported, but not transcribed, by request of the witness.

Q. I do not know about "off the record", but you are a man with practical experience, and I think your own personal experience is valuable to this Committee.



A. I do not mind saying I think it is a very expensive tax, and a very difficult tax to administer. I have said that before.

MR. McNAB: If I may interrupt for a moment, Mr. Chairman, the staff in New York State is 322. That does not include weighing stations. It is entirely separate from any other form of tax collection, because they are entirely separate from the motor vehicle revenue in relation to registrations.

MR. AULD: It would be very interesting to find out, Mr. Chairman, what causes the discrepancy -- if I may put it that way -- between Mr. Gathercole's figure of "88" and Mr. Clark's figure of "202".

THE WITNESS: I would like to know that myself.

MR. AULD: Percentage-wise, it would make quite a difference, I would think.

MR. MacDONALD: I am also puzzled about this Mr. Chairman. If the tax is so expensive to cope with, why are so many States becoming interested in it?

THE WITNESS: Frankly, Mr. MacDonald, I am puzzled myself. I cannot quite see why you should get into such an uproar over \$15 million, or \$12 million,



or \$13 million. It seems such a small amount to collect, but I think one has to study, perhaps, what the total requirements for highway construction costs and maintenance may be, to see which classes of vehicles should be called upon to pay the weight-distance tax, and whether those involved in it should bear as large a proportion of the 230 million or whatever the amount is, which is involved.

MR. MacDONALD: I just wanted to throw this in. I do not know whether you have considered this aspect, but if it is a difficult tax to administer, there must be other considerations which have led many of the States to adopt it. I was wondering what those other considerations are.

THE WITNESS: I think one of the main reasons why it has happened in the States is the smallness of the areas of the States. The difficulty is with trucks going across the country, go from one State to another, or perhaps through five or ten States in connection with their business. The flat registration of one truck in, say, eleven States, means a tremendous amount of money, which a trucker has to pay, and there came up in the past a system of the so-called "reciprocity" for trucks, which are registered in one State, and go into another, so that they did not require





registration in both States, and then a truck from the second one, going into the first one, would be exempt in the first.

But when it went beyond that, and reciprocity became so complicated, many of the States reduced their registration fees to a nominal amount, and put in mileage taxes of various kinds, so that each State receives its fair proportion of the earning capacity of each truck.

BY MR. MacDONALD:

Q. Is it your impression that the proponents of the tax, at least, feel that one of the great factors is the achieving of greater equity?

A. Yes, but it is equity as between the States, rather than equity between the trucks.

Q. No, I mean equity in the tax structure between the long-mileage trucks, and those with shorter mileage, those trucking cars and so on.

But there is a certain element enters into this, as a truck which goes many miles, crosses many States, therefore, the equity is important between many States, but in some it is more important than the equity between trucks. I think it is possible to make a curve of the flat rate fees, which would be an average of the tremendous amounts the trucks would





pay by way of mileage tax, rather than go to all the trouble of having mileage counts. I think it could be worked out.

There would be certain elements of inequity here and there. Certain ones would pay too much, and others would pay not quite enough, but the lack of equity would be compensated by the gain in the costs.

BY MR. AULD:

Q. We have a situation-- how prevalent it is, I do not know -- but they estimate a figure, and that figure is used for a license fee of, say, \$800. a year on a vehicle which drives 100,000 miles, and that represents .8 cents per gallon, while the same license obtains for a vehicle which drives only 25,000 miles and yet, under that he pays 2.8 cents, an increase of four times as much.

When you add to that the private carrier who does not pay for a P.C.V. license or a public commercial vehicle license, it seems to me that if we are striving for a proper contribution from the people who use the roads, we are getting farther and farther away from it, and if you increase the license fee, you increase what is presently an inequity.

A. Well, my answer, to some extent, to that, is



this; when you have large truckers, with fleets of trucks, they cannot afford to have their trucks idle, therefore, they will go the maximum mileage, for twenty-four hours a day, if they can keep them going.

Q. There are some vehicles though, from their very nature, it would be difficult to keep going twenty-four hours a day. In other words, they are required for a certain purpose, and there is just not enough work of that type available.

A. Well, you may be right, but I still say that your example -- at least, I think it is your example -- of four times as much for the same kind of a truck, is likely to be not the usual thing.

Q. As I say, I do not know how often that happens. It may never happen, but there certainly is that element present at the present time.

A. That is possible, but I think that is the exception, rather than the rule.

BY MR. CHILD:

Q. Is not the same thing true in relation to cars? A man may pay a \$20.00 license fee, and may be a traveller for a company, on the road, and is travelling up to 75,000 miles a year. There is just as much inequity between the two.

THE CHAIRMAN: Yes, but there you have the



gasoline tax, which, in all classes of vehicles, takes care of that. It would not take care of it between different classes of vehicles, but if you take the passenger cars, for instance my own, I will pay proportionately more tax -- probably not in direct proportion, because of the gasoline I consume, so I do not think you can compare passenger cars with trucks.

MR. CHILD: Some cars go 30 miles on a gallon.

MR. AULD: Then they do not pay so much, and do not do the damage.

MR. CHILD: But they have the use of the highways. It is the highways we have built to accommodate all of our cars.

MR. AULD: The bicycles are "getting away with murder".

MR. CHILD: They are not allowed on the Queen Elizabeth Way.

MR. AULD: No, and they are not allowed on the sidewalks. But with our present licensing system in which I think there are inequities; your car may have eight cylinders, while mine has six, and they are both the same make, and my gas mileage is about the same as yours, so if you want to start with inequities, you can start right there.







THE CHAIRMAN: We can never escape inequities.

MR. YAREMKO, Q.C.: This expensive tax collection: might that not be caused because the States have used up all the inexpensive forms of taxation, and they are bound to be driven to the expensive type of taxation?

THE WITNESS: Well, sir, I do not think the State of Oregon has used all the cheap kind of taxes which are available, by a long way. They have a flat-rate fee of \$10.00 on passenger vehicles, and their top fee for the heavy trucks is \$290.00.

BY MR. MANLEY:

Q. What is the gasoline tax?

A. Six cents. Of course, there is a three-cent Federal tax on gasoline in the United States, as well.

California has a six-cent tax, plus the Federal three cents, but California, in contrast to Oregon, charges seven cents on diesel fuel.

BY MR. CHILD:

Q. If it were possible to revamp our present structure of taxation -- we have very low administrative costs in our system?

A. That is right.

Q. If we had to revamp everything, and we had



to increase it proportionately -- it would not be "proportionately", because there are certainly inequities -- but if it could be reduced and everything included, would there be any more use in that, than by going into some new form of tax?

A. That is what I was trying to argue before, that with the same sort of tax structure, and motor-vehicle registration license fees, it seems to me it would be possible to iron out some of the inequities which are there now, and to secure the extra revenue which is necessary.

BY MR. MacDONALD:

Q. Do you think it would be possible with motor vehicle licenses, to tie them in some fashion to the annual mileage?

A. Yes. In regard to this averaging business: there are reports sent out by the Dominion Bureau of Statistics which show average mileage in Ontario with the various weights of trucks.

If you measure the gasoline consumption with these weights of trucks and so on, I think you can build a curve of motor vehicle registration, on the basis of those averages, which would bring in the amount of tax money you need.

With these passenger vehicle license



registrations, and these truck registrations, the gasoline tax, and the P.C.V.'s -- with all of these together, I think it would be possible to work out quite a good equity.

Q. In other words, would it be possible to have a sort of a double set of scales, on one scale the weight, which gives you the class, and then on the next scale, the annual mileage?

A. Once you bring in the question of mileage, you have to check that, and you have an administrative problem right away, and that is something which I think, if it is possible to avoid, it would be a good idea.

Q. I do not know whether it has been suggested before, but I think, from the general scheme, that the gross inequity existing at the moment is one which arose from the variance of the mileages, and the only way you can get away from it, is to tie it in, in some fashion or other. That may not reduce the tax structure, and may be a sort of an elaboration of our existing one, but to avoid the weight-distance tax, that may be the answer.

But if the refinement of our tax structure does not, in some way, or other, get at the mileage costs, it would contribute to the maintenance cost of



the road, if not to the initial costs.

MR. CHILD: When we speak about these long-mileage trucks, are we not speaking about a very small minority of the vehicle registration?

THE WITNESS: That is quite true. I was looking at the combinations here, which show a 38,000-pound weight on the tractor, and that went up to \$658.00 commercial fee, which now is the charge.

The first trailer is 28,000 pounds, so it has to pay \$283.00; the second trailer is 38,000 pounds gross, and has to pay \$419.00. The total for this combination is \$1,350.00.

There are two of them in Ontario -- only two.

If you go through all these combinations and count up the total, you will see they are paying about \$25 million now, and you are talking about a \$15 million tax.

That worries me a good deal, because, from what I have been able to ascertain, we need \$75 million, not \$15 million.

BY MR. MacDONALD:

Q. Your worry is it is too small, and should be larger?

A. That is partly it, yes. It should be a great deal larger, but it has to be considered in the





light of everybody else's business, except this comparatively small group.

I think you may get your equity, if you find out how much the average cost of these big trucks is, in a year. You can find that out. How much is the average? You can find that out, I should think, quite easily.

BY MR. MacDONALD:

Q. That perhaps happens with a truck in the category of 40,000 pounds, going, say, from Hamilton to Montreal. He will be so badly "nicked" that he will either have to get into a position of using it more, or going out of business.

A. Surely, if you are going to the expense of securing one of these trucks, you will use it to the maximum, or find out why not. You could not continue in business otherwise.

If you have it on the average, you simplify this whole thing, so there will be no more trouble than you have now, at least.

BY MR. ROOT:

Q. I think we have evidence that a number of States have abandoned the weight-mile tax. Would you care to comment on that, Mr. Clark?

A. I have not spoken to any of these people, so



I would not like to comment on that, except to say there must be some good reason why they did it.

THE CHAIRMAN: Let us take a short recess at this time.

---Whereupon a short recess was had.

---Upon resuming.

THE CHAIRMAN: Gentlemen, let us come to order once again. Shall we continue with our general discussion with Mr. Clark about the weight-mile tax? Are there any further questions?

MR. CHILD: There is one thing I would like to get on the record.

BY MR. CHILD:

Q. Mr. Clark, do you consider that the highway users at the present time are paying a fair share of the total cost of highway maintenance and construction? I am thinking of the situation where it has been suggested there should be 75 percent. from the users, and 25 percent. from the general tax?

A. Well, my answer to that is that the actual amount being spent on highways and their maintenance this year -- the revenues from gasoline tax, motor-vehicle registrations, is about 75 percent. of that. But when your report came out, you will recall that I



presented, with Mr. Brown, some statements showing the cost of highways, and the interest on the debt, and the write-off at 20 or 30 years, and the maintenance and so on.

Then I found in your report that there was an estimate of the backlog of highway construction, and what would be required during the ten years, 1956 to 1965.

So I thought I would just carry this statement forward and assume that our revenues are going to go up in relation to what you estimated the traffic would be, and now, as I recall it -- and I am speaking from memory -- you said that the backlog of construction and the requirements for the next ten years, would amount to about \$1,700,000,000.

If you spend \$1,700,000,000, that is \$170 million per year on capital, and then  $4\frac{1}{2}$  percent interest and the write-off, I figure you would have to spend a total of \$230 million per year, and that is the revenue needed, in that amount, to pay in full for your highway programme, if that is the programme which is actually followed out.

This year, we will collect \$155 million -- approximately -- in gasoline tax and motor vehicle license fees, which leaves a deficit of, roughly,





\$75 million.

Now, 25 percent. of \$230 million is about \$56 million. So that if 75/25 is right, we need an additional highway tax of \$19 million.

It might be it would be a good thing to have even more than that, and say it should be 80/20, rather than 75/25. I do not know. I am not an economist, to know just what proportion of the value of the highways should be charged against the vehicles which are using them.

MR. MacDONALD: Mr. Chairman, this is my pet, which I have been juggling with for quite some time. I am interested in sorting out some of the discrepancies.

\$200 million a year, on an average, for the next ten years, is approximately what we will require for the backlog.

THE WITNESS: Yes, but you left out the interest. I said we need about \$230 million per year.

BY MR. MacDONALD:

Q. I thought the interest was roughly \$20 million a year, to service the present debt?

A. Yes, the present debt, but do not forget you are increasing your debt every year.

Q. Well, \$220 million to \$230 million; the thing



which interested me in that calculation was this; if our revenues are going up something like \$12 million per year -- about \$10 million a year over the last five years or so --

A. I do not think it would go up that fast, if you did not raise the rates.

Q. On the present rates, they have been going up pretty close to \$10 million. That means, in five years, our revenues will be \$205 million, and in ten years, our revenues will be \$255 million, assuming a projection of this kind.

A. On the schedule we made, the revenues did not go up that fast. I did not bring them with me, but the revenues did not go up that fast. Mind you, I assumed these rates to be those which are now effective, with no increases in taxes during the next ten years.

Q. The revenue for 1950 was \$175 million, and the revenue in 1945, was \$121 million from gasoline tax and motor vehicle license fees, so there you have an increase of just under \$50 million in five years.

So I assume the argument is not a realistic one --

MR. CHILD: Would you take into consideration the cost of labour, and things of that kind, which are up now, for the cost of constructing a highway? One



will offset the other.

MR. AULD: I do not think the increase will continue at the annual percentage rate, whatever it is, because, after all, when you get down to one car per person, it might be even more than that.

THE WITNESS: The other side of the picture is that if there is, by any chance, a recession, one of the very first taxes which will go down will be the gasoline tax revenue.

BY MR. AULD:

Q. One question here: you were talking about "enforcement of any weight-mile tax " and so on. If this is in your province, could you tell us about the cost of the P.C. enforcement, which is, in fact, a weight-mile tax?

A. Of course, there are set routes --

Q. I realize that in some cases you have set routes for buses. Have you any idea of what the cost of P.C.V. reinforcement would be?

A. Mr. McNab, who was here, could have answered that, because he administers the actual P.C.V. licenses and their enforcement. I do not know what the cost is at all. It is not broken down in any figures I have.

BY MR. CHILD:

Q. You must have been reading in the papers what



has happened in England. In the event of hostilities here, and we have gasoline rationing, what would be the position of the province, even to have sufficient to cover our interest and principal on our debt?

Would we not be in somewhat of a predicament?

A. You can cast your memory back to what happened during the last war, when we were all rationed, and the Federal government made an agreement with every province -- all ten provinces -- that it would pay a subvention equal to our collections of our personal income and corporation taxes, equal to our collections from those sources in the year 1940. Then they gave us a guarantee of our gasoline tax. They said, "if, in any year, by reason of the rationing, your gasoline tax falls below \$26 million, which it was at that time -- 1940 -- we will make up the difference".

Of course, Mr. MacDonald speaks of \$120 million -- or whatever it is -- which we received in 1954-1955. We received \$30 million from motor vehicle registrations, and \$90 million from the gasoline tax, as against \$26 million in gasoline tax in 1940.

Q. So, providing the Federal government gave us \$100 million a year -- or would lend it -- it would not affect us?





A. I think it would be very doubtful if they would do the same thing again, unless they got us to give up certain other taxes.

MR. AULD: Or established a radical change in policy.

MR. MacDONALD: Unless you drastically reduced your road-building programme, I do not see how it would work out.

BY THE CHAIRMAN:

Q. Would you care to go on and tell us of the experiences you had during the balance of your trip, Mr. Clark?

A. Well, as Mr. Robarts has said, I went to California, primarily to attend two conferences, one the conference of the Western States Association of Tax Administrators, which was held in Los Angeles, Sunday and Monday, November 11th and 12th, and then the National Tax Association of the United States, which was held in the same hotel, commencing on November 12th, and going through to the 16th.

Because I had gone so far, I thought I would try to go to Sacramento, the State capital, where I perhaps would meet some of the people there, and talk to them about their third-structure tax.

The two conferences had quite a bit about



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highway-use tax, and I attended most of these lectures.

A number of the lectures which I attended, dealt with the theory and not the practical side of raising any of these taxes.

I was impressed mainly by the wide variety of opinions between one State and another, and the advantages of this, that and the other question of the third-structure tax.

There were all kinds of things discussed in the conference of the Western States Association of Tax Administrators. For instance, there was the control procedure relating to inter-state pipeline movement of fuel, what to do about gasoline thefts in relation to the gasoline tax; exemptions of aviation fuel, and gallonage measurement for tax purposes.

Then there were discussions about the mileage, the pr -ration plan, which was advocated some years ago by the National Association of Tax Administrators, and which was simply the idea of having a truck licensed in its home State, but if it travelled in another State, it would be exempt in that State from a license fee, but the license fees which would be paid by the trucks in the second State added to the



license fees payable by trucks in the first State, would be divided by the mileage of all trucks, so that each truck would pay a mileage tax to the States in which it travelled on a flat-rate license fee basis. This is something along the line Mr. MacDonald was mentioning earlier.

Then, as I said earlier, the highway-user taxes were described by industries and by truckers, by Mrs. Long, and there was a description of the Ohio axle-mile tax by the Administrator of that tax, Mr. J. E. Williams.

All of this was not technical, but rather theoretical and it was interesting, but not terribly valuable in connection with that for which I was looking.

Then I wound up in Sacramento, and I saw Mr. Howard D. Abbott, the Director of this Branch in California.

They impose what is known as a "gross receipts tax". I did not enquire too much into that, because, first of all, they think themselves it is a bad tax. Secondly, I knew we could not impose it, because it would be unconstitutional, under our Constitution.

Then I met Mr. Ronald B. Welsh, whom I have known for a number of years. He is Secretary of the





National Tax Association, and head of the Research Department for the State Board of Equalization in California. He is a trained economist, and a very brilliant man. He sought to tell me how to take the full cost of a highway programme and divide it amongst passenger vehicles, commercial trucks below a certain weight, commercial trucks above a certain weight, so that you could determine what portion and to what extent the third-structure tax would apply.

Then I met Mr. Dixwell Pierce, Secretary of the State Board of Equalization, and he did his best to keep me from working. He wanted to entertain me during the whole time, and I must admit I received much less information than I would have, if he had not been around. He is a very charming gentleman; that is a fact.

Mr. Pierce, however, did give me the impression -- and I am now referring to what I said before -- that the main reason for the third-structure tax is because of the fact that trucks go across State lines down there far more than they do here. The areas of all the States are much less than in the province of Ontario. Even the "Great State of Texas", as they call it, is only one-third the size of the province of Ontario. In the State of Vermont, you can go across it in



about two hours or less; in Ontario, we have something like 600 miles from the Quebec border to Windsor, and I think it is about 900 miles, or perhaps more, from here to Kenora, by road.

MR. AULD: It is 1400 miles.

MR. MacDONALD: From 1200 to 1400 miles.

THE WITNESS: So this problem is far less apparent in Ontario than it is in these States, and I think there is far more reason for a weight-mile tax down there for that reason, than for any other reason.

That is what I found out by going to California. I did not find out too much, but I did secure a great deal of general information from listening to the speeches, but I really did not talk much about them.

BY MR. MacDONALD:

Q. Mr. Clark, did you in the course of getting the picture of each of the various States, and how they were trying to achieve greater equity -- did you secure any more information on this move in the State of Virginia in recent months of adding a couple of cents on the gasoline tax, for vehicles, as I understand it, beyond a certain weight, if used within the State?



A. No, I have not heard of that. That is news to me.

Q. We just received that information. It looks like another means of achieving more revenue in an area where it was generally agreed more should come.

A. I would wonder how in the world the gasoline tax could be graduated, depending on what kind of a truck you happen to put the gasoline in. I do not think we could very successfully administer such a tax.

BY MR. MANLEY:

Q. How does the license fees for trucks and the gasoline tax, compare with ours?

A. In California?

Q. Yes, in California?

A. I would say that there the gasoline tax is 6 cents per gallon.

Q. And is there also a Federal tax?

A. There is a Federal tax which applies throughout the United States. It amounts to 3 cents per gallon and their diesel fuel tax -- or, as they call it, the "use fuel tax" -- is 7 cents.

Q. Is there any Federal tax on diesel fuel?

A. Yes, just the same; three cents.

BY MR. MACKENZIE:

Q. How much is it on the diesel fuel?



A. Seven cents.

Q. Seven cents a gallon?

A. Yes, as against six cents. There is a differential of 1 cent between diesel fuel and gasoline, which applies in quite a number of States, where there are variants in rates between diesel fuel and gasoline.

BY MR. AULD:

Q. Was it mentioned in California as to whether they thought the differential was sufficient?

A. They felt it might be greater.

Q. Somewhere in this mass of stuff we have received, there is a figure of between 50 percent. and 100 percent. greater mileage per gallon, by diesel-burning vehicles, than gasoline-burning vehicles. Apparently great strides have been made in the capacity of the engines in the last few years.

A. I believe that is true. You will find, on the other hand, arguments by diesel-engine manufacturers, who say that the efficiency of a high-compression gasoline engine is going up too, and that greater mileage might be obtained from gasoline than in the past. However, I do not know any more than what I have read, but it appears that diesel fuel will carry the same weighted vehicle about 50 percent.





or 70 percent. farther.

Q. While we are on this subject of diesel fuel; was there any problem suggested in California, or any of the other States, in connection with the tax paid on diesel fuel?

The reason I ask that is, that, as you probably know, diesel engines will use certain sorts of heating fuel, and I have heard there is a problem in this province -- I do not know whether it is a major or minor one -- that people with diesel engines buy heating fuel and pay no tax at all.

A. There is no question about that. You will remember that there was passed at the last Session of the Legislature, the Motor Vehicle Fuel Tax Act. This Act has not been proclaimed because, when we started to work out the administration of it, we found that we were going to require a great number of people for the operation of it, and we had to decide that certain fuels, such as stove oil, would be exempt; we would have to take our chances of collecting the tax on these special fuels. Whereas a truck or motor vehicle might use this kind of fuel, its use might spoil the engine. These motor vehicles certainly would not secure the efficiency they would from the use of proper diesel fuel



There were certain other kinds of fuel we felt we would have to just say, "All right; the chances are this will not be used, but if it is, its use will be small and we shall have to forego the tax on that."

Out in California, I secured a great deal of material, which I asked them to mail to me.

They have a situation out there whereby a person who may use, or wishes to use, diesel fuel, must buy a purchaser's permit. This would mean, in the administration, if you used this basis, you would have to go to the purchaser, all the way through, and make him responsible for paying the tax, but it has bad features about it, because it is much easier to collect from the vendors than from the purchasers.

I want to study their system when I get this information, because California has had more success in using this user-basis of collection.

BY MR. AULD:

Q. Is not this whole problem an example of what we will face more and more, as science progresses, and new techniques are discovered?

Supposing we had a uranium bar in trucks, it looks as if some day we will get down to the mileage basis for taxing vehicles.

A. It will not only be the commercial vehicles,



but passenger vehicles. I do not know whether the Committee realizes it, but there are about ten taxies in the city of Toronto which are using fuel oil of some sort; whether it is diesel fuel or not, I do not know.

My son told me that he had been speaking to one of these fellows, and he uses newspaper as a filter, to get this stuff out of his furnace tank.

BY MR. CHILD:

Q. I understand they can operate one of these taxies for about \$1.00 per shift.

A. There is one kind, the Mercedes Benz, which is very small, with a low centre of gravity --

THE CHAIRMAN: Let us not inject any more problems into this, than those which are now faced by this Committee.

MR. CHILD: During the last Session, I mentioned a case of the violation of the tax, where a truck owner would go to a station and say to the operator, "If you do not report all the fuel oil I buy, I will buy all my fuel oil from you". If the station operator says, "No, I will not do that; everything you buy will be reported", then he loses the business.

I know it has happened. I do not know how





far that is carried on, but I could quite see that there is certainly room for a little larceny there.

THE WITNESS: Under this Motor Vehicle Fuel Tax Act, the administration, which I hope to have set up very shortly, will catch that with the inventory measurements, which will take place regularly at the vendors' places of business.

BY MR. AULD:

Q. What would you do in the case of somebody who is obtaining fuel oil from a normal vendor?

A. I wish somebody would tell me the answer to that. I do not know.

Q. My point is simply this; it appears to me that the more you go into both the present and the immediate future, the cost of collecting the fuel tax from motor vehicles will increase, and there will have to be more enforcement, and it looks as if eventually we will get on to the mileage basis.

MR. MacDONALD: When you do, some of the difficulties will disappear. Some of these inequities we have been discussing will disappear.

THE WITNESS: The question of inequities, or obtaining equity, is a very desirable thing, but I really am worried about how you are going to measure the mileage of two million motor vehicles, which it



will be by the time these things get to that stage. I do not know how you will do it without incurring fantastic costs.

BY MR. AULD:

Q. Every car may have to have a taxi meter on it.

A. Yes, and then they can "fiddle" with their speedometers.

BY MR. MacDONALD:

Q. Do you not think they can devise some gadget which cannot be tampered with, on each car?

A. That is what Mr. McNab said. He was referring to the electronic weighing machine. That was something new to me. If we can have an electronic device, which each car has to go over, it may be it will work.

BY MR. AULD:

Q. They might have a similar system to that of the Highway Departments, in the use of the radar for determining speeds. They get some figures of fantastically high speeds, but the police do not catch too many of them, because people seem to have some sixth sense, and they slow down.

BY THE CHAIRMAN:

Q. When you were in California, did you come



away with any over-all picture of how they plan their financing system? They are operating with no toll roads, and no weight-distance tax. What is their over-all financing theory?

A. They have a gasoline tax of six cents, and a diesel fuel tax of seven cents, motor vehicle registration fee of so much, and this gross receipts tax.

Mr. Pierce told me they paid the entire cost of all their so-called "freeways", which are really fantastic, out of these taxes.

Of course, they have a tremendous population there, and everybody has a motor car, and from the Biltmore Hotel in Los Angeles, in two blocks, you are on a six-lane thruway, and you can go sixty miles an hour in every direction. I have never seen anything like it.

And it is all paid for. There is no deficit in their highway-use taxes, according to what Mr. Pierce said.

BY MR. AULD:

Q. And they receive substantial Federal aid?

A. They receive aid back from the 3-cent Federal tax. I asked about that; I said, "Does the aid coming back equal the three cents which the



people pay to the Federal government?", and he said, "By no means, because a great part of the three cents goes to provide aid to the 'have-not' States".

Q. Was there any comparison between the mileage of State highways and the number of motor vehicles registered in California, as compared with Ontario?

A. I believe I will have all that material when it arrives from California. I did not see the figures when I was there.

Q. My understanding was that most of the population in California is in Metropolitan Los Angeles, and San Francisco.

A. I do not think that is right. There are a number of large centres. Sacramento has a population of more than 400,000 people. It is only 100 miles from San Francisco. It takes about two hours and fifteen minutes on a bus.

BY MR. ROOT:

Q. What is their greatest source of revenue?

A. The gasoline tax.

Q. There is another point about which I wanted to ask you, Mr. Clark. You mentioned this "gross receipts" and said it could not apply in Ontario for constitutional reasons.





When the Transport Association presented a brief a couple of weeks ago, they told us that on the basis of figures from six of the large trucking companies, any further increase in ~~the~~ weight-mile tax would have to be passed on. The weight-distance tax would be a tax on each load. If that was passed on, does that not put the province into the field of indirect taxation?

A. I am not a lawyer, but I think the weight-distance tax would <sup>not</sup> be unconstitutional, because you could not build a fence around a particular tax and pass it on in connection with one thing the truck is hauling.

It is true that a truck may be used in relation to one article which it is carrying, and the weight per mile may be placed on it, but you cannot identify the weight-distance tax paid by the truck in such a way that you can apply it in a precise way to the article which is being transported.

BY MR. AULD:

Q. No more than you could with a gasoline tax, or the license fees?

A. Certainly the truckers are allowed to deduct their gasoline tax from the income they earn for income tax purposes. It is a share of their costs,



and certainly they relate the prices for the goods they are selling to all these costs, and they may be passed on all right, but you cannot identify them separately. Therefore, I do not think it would be deemed to be an indirect tax.

BY MR. ROOT:

Q. I know that our marketing legislation is before the court on the same ground, but I wondered, if it was passed on, how it was done.

BY MR. CHILD:

Q. Mr. Clark, have you given any consideration to, and have you any opinion of a tax on horsepower?

A. The tax which is now imposed on passenger vehicles is related to horsepower.

Q. It is by cylinders more or less, and not by horsepower.

A. I think it is by horsepower.

BY MR. MANLEY:

Q. Is it not both?

A. It so happens that a six-cylinder has 28.3 horsepower -- or whatever it is -- and an eight-cylinder has greater horsepower. It is the horsepower which causes the tax to be higher, rather than the fact that there are eight cylinders.

Q. Just consider a Dodge car, which has increased



its horsepower, and still has the same number of cylinders from one year to another, and yet the license fee has been increased, and still a Cadillac can have 300 horsepower, but still with the same number of cylinders.

If that is the case, why not increase their license fees when they increase the horsepower?

A. Perhaps we did. We raised it last year by 40 percent.

MR. AULD: There are two kinds of horsepower.

MR. CHILD: Obviously they become the same.

MR. AULD: If you take a car rated at 300 horsepower, and put a dynamometer on the back wheel you might secure a surprise. There is a difference between advertised horsepower and what you get in the back wheels to push you along.

THE CHAIRMAN: Gentlemen, if there is nothing further about which you would like to speak to Mr. Clark, we might carry on by ourselves for a little while.

BY MR. AULD:

Q. Is California considering the weight-distance tax in lieu of their gross receipts tax?

A. I would think not. I received the feeling from speaking with Mr. Pierce, that he does not think





much of this tax, and there is no demand by either industry or the Legislators for changing it at the present time.

Q. How much does the gross-receipt tax bring in?

A. I do not know.

MR. COLLINS (Secretary): We have that in our material someplace. In 1953-1954, it produced \$13,352,000.

THE WITNESS: These are all very small amounts involved in relation to the total cost. The larger the population of motor vehicles, the larger the proportion of the gasoline tax they take.

MR. MacDONALD: There is one interesting thing which occurs to me. In regard to the mileage, it seems to me we have opened up an entirely new area of examination, namely, how do you alter your present tax structure, to secure a greater increase in revenue without going into the expensive third-structure tax?

For a moment, I thought I had absorbed generally all the information, but this seems like a whole new field.

THE CHAIRMAN: I must admit I am suffering from a somewhat similar sensation. There does not seem to be any finality we can achieve or reach in the studies we are trying to make, because each time



we move a step further, we are just like Ulysses, and when we go forward one step, we seem to recede about a quarter of a mile.

MR. MacDONALD: If you can get some variation of your present tax structure, it would be better, rather than going into any third-structure tax, which is admittedly difficult.

MR. AULD: Except it appears on the basis of what we have discussed this morning, that we are bound one of these days, to a greater or lesser degree, to get into the field of taxation on mileage.

MR. MacDONALD: I agree with that.

MR. AULD: Is there any advantage in getting into something at the present time which might be not so important in the immediate future, but which will give a great deal of valuable experience later on, when we have to have it?

THE WITNESS: If I may say something about that: I agree with that, generally, but I think that you cannot come up with a proper weight-distance tax, applicable to any trucks or motor cars, without spending a great deal of time. I think it will take at least five years to do it. I do not think in five years we will be so badly off by reason of technological progress which will be achieved in



regard to this weight-distance tax.

In the meantime, I think it is important that you have a look at your present system, which is the most equitable, without changing the general formula of the system.

MR. MacDONALD: One point I would like to see examined very carefully and from an administrative point of view. I can understand why you wish to bring in a tax on mileage, but it seems to me that is one of the technological advances which will come, say, in the next ten years, when we will probably have cars driven with some form of atomic power, so we will have to get to the mileage. That may not be the function of this Committee, but it seems to me we might get the "jump" on the weight-distance tax proponents.

We escaped toll roads, because I think we learned enough from other States -- that is my personal opinion -- and I think we might escape this weight-distance tax. I think eventually we will have to come to the tax on mileage.

THE WITNESS: That would be a satisfactory method of taxation, but I believe that will have to be given some real study, and examined very intensively, so that, as soon as possible, we will be ready to put



it into force.

I think you are right about that, but, general speaking, I feel as does Mr. Auld, that with the technological progress, we will not be using oil anywhere nearly as much as we are now.

MR. MacDONALD: What I was getting around to was this; you may be exaggerating the administrative problem in trying to tie it to mileage, even now.

But consider the income tax. I am sure the administrators recognized the problems involved in that, but they have worked it out, and if that is the answer, why not grasp the nettle and find the administrative problems and ways of coping with them.

THE WITNESS: I do not think I quite agree with that, because the "nettle" is bringin in, as anybody who is working on this knows, a tremendous amount, at less than one-tenth of the cost of the mileage tax at the moment.

You have been discussing the gasoline tax, and it is suggested that it will be going down, because of technological progress.

What you really want to do is to go into the mileage tax in a far greater way than anybody has gone so far, but not until you have explored methods,





and so on, very intensively, by all means at your disposal.

MR. MacDONALD: Let me make my point clear. When I said "grasp the nettle", I did not mean that it corresponds with the third-structure tax, but it seems the way to get away from the problem is a tax on mileage, and by "grasping the nettle" you will get away from the third-structure tax, which will reduce our present tax structure.

I think we will have to try and devise some way of getting away from some of the inequities at the moment. If you have the third-structure tax, you can get rid of them at the same time.

MR. CHILD: Regardless of what year it is, whether it is five years or ten years from now, they will use fuel to drive automobiles. If they can develop a gasoline which can give you twice as much mileage to the gallon, by doubling your tax, you would secure the same amount of revenue.

On the other hand, if they find fuel which would give you 100 miles to the gallon, against 20 today, we increase the tax five times --

MR. MacDONALD: How do you apply the same tax to atomic energy?

MR. CHILD: There must be so many miles that



atomic energy will drive a car.

THE CHAIRMAN: If there is nothing further, Mr. Clark, we wish to thank you very much. I know I speak for all members of the Committee when I say that some measure of our appreciation is shown by the questions which have been asked of you.

THE WITNESS: It has been a pleasure. I hope I have given you something of value.

MR. MANLEY: You have, sir.

MR. AULD: You have, indeed.

---The witness retired.

---Procedural argument not reported by direction of the Chairman.

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---Whereupon, at 6:10 o'clock p.m., the further proceedings of this Committee adjourned until Thursday, December 6th, 1956, at 10:30 o'clock, a.m.

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ONTARIO

P R O C E E D I N G S

of the

SELECT COMMITTEE APPOINTED BY THE LEGISLATURE OF  
THE PROVINCE OF ONTARIO TO ENQUIRE INTO AND REPORT  
UPON MATTERS IN CONNECTION WITH TOLL ROADS IN THE  
PROVINCE.

Mr. J. P. Robarts, Q.C., Chairman.

Mr. D. J. Collins, Secretary.

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VOLUME XXXIX

Thursday, December 6th, 1956.

TORONTO, Ont.

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R. C. Sturgeon,  
Official Reporter,  
Parliament Buildings,  
Toronto, Ontario.





T H I R T Y - N I N T H     D A Y

Toronto, Ontario,  
Thursday, December 6th, 1956,  
10:30 o'clock, a.m.

- - - -

The further proceedings of this Committee  
reconvened pursuant to adjournment.

Mr. J. P. Robarts, Q.C., Chairman,  
Presiding.

PRESENT:

Messrs. Root,  
Auld,  
Sandercock,  
Jolley,  
Mackenzie,  
Child,  
Manley,  
MacDonald,

Mr. D. J. Collins, Secretary.

APPEARANCES:

Mr. W. Q. Macnee,                      Traffic Engineer,  
Department of Highways  
Province of Ontario.

- - - -



THE CHAIRMAN: Gentlemen, we will come to order please.

We have some correspondence here. One letter is from Mr. Davidson, Warehouse Distributor of Loblaws, objecting to the Motor Truck Owners Association being included in the brief submitted by Mr. Hastings.

In his view, the heavy transports are more than paying their share of taxation on the highways today, and they are unalterably opposed to further taxation being placed on motor vehicles.

Then there is a letter from Mr. Hastings, stating that perhaps he should withdraw the Motor Truck Owners Association from his brief. These are just routine, and I do not think we need to read all this correspondence into the record.

I think, Mr. Macnee, you had some information to give us.

W A L T E R   Q .   M A C N E E ,

Traffic Engineer, Department of Highways, province of Ontario, re-appearing before the Committee, but not being sworn, continues his testimony as follows:

BY THE CHAIRMAN:

Q. Will you proceed in your own way, Mr. Macnee, and as questions occur to members of the Committee, they



will be asked of you.

Gentlemen, to start these proceedings, as the Telegram said, the Committee's worthy Secretary (Mr. Collins) and myself feel we must get on with the report, as such, and we feel that it falls into two parts, toll roads, and call it "weight-mile tax", call it "weight-distance tax", or call it "third-structure tax", in essence it is all the same problem.

We feel that we can deal with these things separately. The toll road problem has had a considerable amount of study last year, as well as this, and what we would like to do before the time of adjournment this afternoon, is to find out some of the thinking of the members of the Committee on the toll-road aspect, and see if we can agree on the principle, and prepare, at least, an outline of a report for further consideration. That is the main purpose of the meeting today. There are some other matters with which we will deal as we go along.

I asked Mr. Macnee some time ago -- in fact, a good long time ago -- to give us some traffic figures on the Toronto-Hamilton-Niagara Peninsula area, our thinking being, that, at the present time, that looks like the only spot where we have enough volume of traffic to justify a toll road, either now or in the



future, and it also appears to be the area where the traffic is increasing rapidly. I thought we might get into a general discussion with him about the area at the moment, and see what information he has, and ask him any questions which may occur to us.

Mr. Macnee, will you give us the situation, as far as the situation for which we have asked, is concerned?

A. We have covered a tremendous amount of data and our problem is to put it in a way which will be the most useful to you.

One which we are currently finalizing, is some figures on the section Toronto to Hamilton. But we did run into so many factors, that it makes it almost impossible to give you some finite figures, as we are not just/sure what happens to the road when it hits Hamilton. If it goes directly from Toronto to Hamilton, there will be one type of traffic on it. If the facilities are projected from Hamilton, basically to Brantford, tie that up with Highway No. 401, you would obviously secure a great deal more traffic which is using the roads.

I do not think the road from Hamilton to Niagara Falls would have any particular effect on it, and I rather doubt if an additional road from





Hamilton to Niagara Falls would be feasible, because the Queen Elizabeth Way, although it carries a great deal of traffic, is still a long way from capacity, and with the re-development of the Queen Elizabeth Way in that area, there probably would be very little to be gained by using a secondary road.

Even if nothing more was done than from Toronto to Hamilton, there would be approximately 10,000 cars a day taken off the Queen Elizabeth Way from Toronto to Highway No. 25, and that would drop to approximately 9,000 between Highway No. 25 and Hamilton. That is traffic of a kind of which we are not sure. With a road of that nature, there might be more traffic on it than we estimate.

Our estimate was based on a study for the Toronto by-pass, where we estimated everything we thought possibly could go on the road. We estimated 6,900 cars, and yet the year it was opened, we had 13,000 cars, which has now increased to 47,000. So our estimate based on our study, will be exceedingly small. We know we will have a figure, but we do not know how much.

Q. Is that any different from what is being carried presently by Highways No. 2 and No. 5?

A. No. That is traffic which would be diverted



from the roads in the area. The majority comes from Highway No. 5, and the Queen Elizabeth Way. Very little would come from Highway No. 2 because that tends to be local traffic, and I doubt if any of it would be diverted to any other road in the area.

Q. I think you told us a year ago that, in your opinion, another road would be needed between Toronto and Hamilton, at the present rate of increase, in from between five and six years?

A. I think I can sum that up by saying that between the Queen Elizabeth Way and Highway No. 5, we have a total of eight lanes operating. A conservative estimate will be that in twenty years' time we will need a minimum of twenty-four lanes; in other words, three times the capacity will be needed in twenty years.

Certainly, additional capacity will be needed in the near future.

Q. What I am getting at is this; can the Department of Highways reasonably anticipate building another road, of one kind or another, between Toronto and Hamilton within the next five or six years?

A. Definitely so.

BY MR. AULD:

Q. What is the practical limit to the number



of lanes in one direction on a highway -- or is there any?

A. I do not think you will find many which have more than eight lanes -- four in each direction.

Q. Is that because there have not been the requirements --

A. No, I think your operating characteristics really break down after four lanes. The interchanges have to be at fantastic distances apart.

BY MR. MacDONALD:

Q. Do they not break down before you get to the four?

A. No, there are many eight-lane highways operating, and operating very efficiently. There are some in California.

Q. My experience is that when you get to three, to say nothing of getting to four, you cannot get off --

THE CHAIRMAN: Think of the traffic pouring into and out of New York City.

THE WITNESS: There have been some interesting figures come from California recently, which show the capacities and show the advantage of three or four lanes, not only two.

It shows that the normal capacity on the left-hand or driving lane is about 900 cars per hour;





the second lane from the shoulder, runs about 1300 cars; and the third and fourth lanes, go up to as high as 1800 cars per hour. So by adding a lane, you can perhaps visualize the proportional capacity. These third and fourth lanes carry almost as much as the other two lanes combined.

BY MR. MacDONALD:

Q. Why is that?

A. Because of the on-and-off movement from your interchanges. Also the fact that your slower-moving vehicles tend to stay in there, and as a result, anybody who likes a good speed will stay out of that lane.

BY MR. COLLINS (Secretary):

Q. I recall in New Jersey they said that four lanes were a practical limit.

A. In one direction?

Q. That is right.

A. I do not think anybody can go beyond that.

BY MR. MANLEY:

Q. What yardstick does the Department use in determining the capacity of a highway?

A. We have used the data which was collected by the Bureau of Public Roads. They made some very exhaustive studies, which have given guidance for the



determination of capacities.

What we have done ourselves is to compare our own data and information with that, and we see no reason why we should not accept their figures.

The only thing which complicates this whole business is there is a possible capacity which is the absolute maximum number of cars you can put over a road. That depends on how close motorists are willing to drive together. If the motorists are willing to place themselves at one-second intervals, you can carry 3600 cars per lane in an hour. But there are very few motorists who are willing to do that. They pick up the space in which they are comfortable. There formerly was a three-second interval. In California, it has dropped to a one-second interval, and the Ontario motorists are not yet down to two seconds.

We found the absolute maximum would be 2,000 in one lane. I am, of course, speaking of rural highways. That is the ultimate. It is not a very desirable condition, because if someone hesitates in traffic, or even just lifts a foot off the accelerator, and slows down, immediately you have complete chaos on the road. It is like an accordion; it takes hours to clear it, after it has closed up. So we have to



take some practical capacity.

"Practical capacity" implies good driving and conditions with a certain number of people in a certain room, we cannot come to any agreement as to what are "good driving conditions" because what is satisfactory to you, may not be satisfactory to me, or vice versa.

We have developed, for different types of roads, figures we consider to be "practical capacity", and what we have used as a criterion, is that when a road is operating at practical capacity, 75 percent. of the traffic is driving at its own speeds, and their speed is not being dictated by the cars in front of it, or at the side.

We could have taken 50 percent. or 90 percent.; there is no reason why we picked 75 percent., except the consensus of opinion amongst the engineers involved, that 75 percent. was a fairly-desirable thing at which to shoot.

We are willing -- perhaps we have no right to be -- but we are willing to allow a road to be congested for as much as thirty hours in a year. We cannot design a road which will be perfect all year around. The Barrie Highway is a good example of that. If we built the road so that the practical



capacity would never be exceeded, we would probably have about a ten-lane highway, and that ten-lane highway would probably only be needed two or three times in a year, and it is uneconomical to build a road that way.

So we have established what we thought was "practical capacity" and which, as I say, is 75 percent. of the cars of all types, although we have cut it down to what we call the "design hour" which is the thirtieth highest hour on normal roads, and that actually drops to about the eightieth hour, on tourist roads.

I would hate to try to get into actual details as to how the capacity works out. It took me three years to understand it, and I am only beginning to feel that I know what I am talking about.

The difficulty lies in the fact that so much of this is arbitrary; you have to have some levels from which to work, and we have picked levels which we are convinced are reasonable, but we could never prove it. Why do we use "75 percent."? It is a nice, round figure, although I think that 80 percent. or 90 percent. would be better, but we could never attain that.

BY MR. AULD:

Q. I think you mentioned at one time that a





bridge cut down that capacity by 10 percent., because of the fact that motorists have a tendency to slow down when the highway is slightly restricted.

It seems to me that the same thing holds true for a hollow stretch, in other words, there are many factors there to show that just because you have a two-lane road, does not mean it will always carry 900 cars per hour?

A. No. We have all these factors to consider. These heavy trucks tend to affect the capacity. Not a great deal. That is the difficult part. Very few, of themselves, have a very noticeable effect, but it is the over-all effect of adding them together.

For instance, if a road has 30 percent. heavy vehicles, which is an unusually large number, you might possibly have a reduction of up to 16 percent. in capacity.

If you get into hilly terrain, the reduction in capacity will be more, provided you have this high number of heavy trucks.

Q. I cannot help but think of Highway No. 2 between Brockville and Prescott, a distance of fourteen miles, which has at least seven miles where the white line is broken, and it is presumed safe to pass. Under



those conditions, if you had 20 percent. heavy vehicles, it would reduce the capacity of the road considerably?

A. Once you get below 1500 feet sight distance, it starts to have an effect on capacity. The factors are actually based on the percentage of length which is available for passing.

I could bring over a 125-page booklet we use to work out the cases individually.

MR. MacDONALD: Is that a threat?

BY MR. AULD:

Q. On Highway No. 2, from Cornwall to the border, it has a good capacity?

A. Yes. Also the telephone poles have an effect on capacity. If they are more than six feet from the shoulder of the highway, they will have no effect, but if they are near the shoulder, or near the highway, there will be a reduction in capacity.

In communities where they are right on the side of the highway, we have as much as 10 percent. reduction in capacity.

Q. <sup>shoulder</sup> What do you consider when reaching 900 vehicles per hour?

A. 900 vehicles per hour on a two-lane road, calls for ideal conditions, that is, with 24 feet of



pavement, and a minimum of 6 feet clear shoulders.

Q. Would it require more than 6-feet shoulders to get those vehicles over the road?

A. With a 10-foot shoulder, which we consider adequate, it allows the cars to pull off the road, but if they cannot get at least six feet from the edge, it will start to have an effect on capacity.

Then we have to consider how often do cars pull off onto the shoulder, because if they do, it will certainly have an effect on capacity.

BY MR. MacDONALD:

Q. Is it correct that a truck is equivalent to about three cars?

A. That is one rule of thumb they use. But it is not, in itself, specific, such as this rule, where there is so much controversy. Some people feel they should take into account the percentage of trucks, and use that as a basis.

In some states, they work on what they call "the equivalent passenger vehicles", and if a passenger car is "1", a truck would be perhaps "2.8", depending on its size.

We, I must admit, take the easy way out and we use our own way to figure it out, and the results are not too far out.





But the aggravating part of it is that, for instance, on Highway No. 5, before they started to widen it to a practical capacity of 900 cars per hour, we were getting 1800 cars per hour. Most communities said there was no trouble on the road, and there was not, until some accident happened, or somebody stopped to pick up a passenger, then it started to jam up.

We know we can move 1800 cars over it, but it is not desirable to have that many. So, how many cars are desirable? It is very arbitrary.

We try to take a low figure, for the same reason that bridges are over-designed. It is a safety factor.

BY MR. COLLINS (Secretary):

Q. So, based on capacity, you might be able to tell how many lanes will be needed, say, between Toronto and Hamilton?

A. That is the way we worked it out. We know we exceed the capacity on the two roads. I cannot recall the exact figures now. We use the projection into the future which the statisticians and economists have furnished, and thus we know how many cars there will be in 1975 or 1976.

So we figure out the number which will be



going in one direction --

MR. ROOT: Mr. Chairman, Mr. Macnee said another road between Toronto and Hamilton would take over 10,000 cars off the Queen Elizabeth Way, and when speaking of Highway No. 401, I understood him to say that would take 5,000 off the Queen Elizabeth Way also.

BY MR. ROOT:

Q. If you finish Highway No. 401, will you need another road?

A. Yes. Highway No. 401 will supply Galt, Guelph, Kitchener and Waterloo, and other communities in that district, but we were speaking of the traffic between Toronto, Hamilton, and the Niagara Peninsula. That traffic itself will justify more roads than we have now.

BY THE CHAIRMAN:

Q. Was that road contemplated in the projection of highway needs?

A. Yes, it is included in the highway needs.

MR. MacDONALD: I am not certain I have a clear picture of this projected road to Hamilton. Since there is not traffic justification for extension to the Niagara Peninsula, am I right in thinking you are suggesting a road which will go into the heart of



Hamilton, while the one which will go to Niagara Falls, will turn off the Queen Elizabeth, so if you want to go to Hamilton, you will go on the road which will, in fact, be going through to Brantford, and tying up with Highway No. 401 at Woodstock or some place along there?

THE WITNESS: Perhaps I have not made myself clear. I did not say that no additional road was needed from Hamilton to Niagara Falls. I doubt, however, if there will be enough to justify a toll road. There will certainly have to be an improvement in the development of these roads in that area.

Highway No. 8 and Highway No. 20 will probably require four lanes in the not-too-distant future, but the fact is will there be enough other roads in the area so there will not be enough traffic left to justify a toll road?

Between Hamilton and Toronto, there is enough traffic to almost justify a toll road.

BY MR. COLLINS (Secretary):

Q. The roads to Niagara Falls, such as Highway No. 8 and Highway No. 20, will need widening?

A. Yes. We ran into trouble on Highway No. 8 and Highway No. 20, when we got near Hamilton.

BY MR. MACKENZIE:

Q. If we have a toll road, would it be north



of Dundas Street?

A. I think that would depend entirely on the topography, where we could get the road.

Q. It strikes me that with another road between the Queen Elizabeth Way and Dundas Street, that could go around the west end of Hamilton, crossing the Dundas marsh, and then join up with the new road right to Niagara Falls.

A. I do not think the road would serve much purpose, if they started to go around the north end of Hamilton. I feel they would have to tie in with this proposed Chadook expressway into Hamilton. The bulk of the traffic is between Toronto and Hamilton, and there would definitely have to be a road into Hamilton.

BY MR. AULD:

Q. It should definitely go into some part of the center of the city, coming from some part of the center of Toronto?

A. Yes. This is admittedly almost at the "dreaming stage", but if another road was built, it would have to be an extension to the Bloor Street expressway, and then be tied into the Chadook expressway, and in that way it would come into the north end of Hamilton.





MR. MACKENZIE: I would like to say a word once in awhile. There is a very good road from Stoney Creek which goes up to Fort Erie; could it not tie into that by going around the west end of Hamilton?

THE WITNESS: That is true, but the traffic which is causing the trouble requires us to provide a road for downtown Hamilton. There is a great deal of traffic which wishes to by-pass Hamilton, and that is not so much of a problem, as it is the traffic which is trying to get right into Hamilton.

Q. Then you would be tying it up with the new Skyway bridge?

A. That would be basically the idea. I do not think you could justify the road unless it was tied in, in that manner, because it is definitely a Toronto-Hamilton problem.

BY MR. AULD:

Q. Is it fair to say -- although this may be a little out of your province -- that the sooner the line of that highway is decided upon, the less expensive it will be to build it, on account of the property costs?

A. That is true, I think, with any road. As long as this is in the discussion stage, there



are bound to be speculators optioning that land.

That holds true in the wilds of northern Ontario, as well as in the Toronto area.

BY THE CHAIRMAN:

Q. When you say it is "inevitable" it looks to me to be more of an investment than a speculation.

BY MR. AULD:

Q. Then there is less room for argument. However, no matter where you build, there are bound to be things which will affect the cost of the property?

A. There will be property damage, no matter where you go.

BY THE CHAIRMAN:

Q. Suppose these lanes or roads are not built in the next twenty years; then what happens?

A. The development of the twenty-four lanes depends on the development of an area. If we do not develop the road, the area will not develop, and the need for twenty-four lanes is certainly cut down. It is a horrible situation, where you build the road to satisfy the traffic, and because you build the road, you create more traffic. I cannot see the end of it.

MR. COLLINS (Secretary): It might put



people right out into the market for the sale of goods.

MR. AULD: On the other hand, it is obvious you cannot strangle the traffic. When the situation gets too bad, you have a real public outcry, and as long as you have representative government, something must be done about it.

BY MR. MACKENZIE:

Q. If I can come back to this Hamilton situation again: from my conversations with people, it is apparent they would be pleased with a road around the west end of Hamilton, going through the marsh, and by looking at the map it would seem to serve the same useful purpose for Hamilton, as Highway No. 401 does for Toronto.

You know how people travel. Instead of going through Hamilton, they will get to the new bridge, and that will eliminate a great deal of the traffic in the center of Hamilton. There is very little land to be purchased when coming through there, and connecting up with Highway No. 20 to Fort Erie.

MR. AULD: How would you get the traffic downtown into Hamilton?

MR. MACKENZIE: By the side streets.

MR. ROOT: But you are making your highway a great deal longer.





MR. MACKENZIE: That is true.

MR. ROOT: If you were coming from Niagara to Toronto, you would not go through Hamilton; you would go via the Skyway.

MR. MACKENZIE: I am thinking of the convenience of the people of Hamilton.

MR. AULD: You would have to make some provision to allow this traffic into certain places.

MR. MACKENZIE: It would, on Highway No. 401.

THE WITNESS: I think the problem would hinge on whether it was a toll road or a free road.

BY MR. MACKENZIE:

Q. You can see, if it was a toll road, it would be easier to get to it, than to go through the city of Hamilton.

A. There would have to be a direct connection from this expressway to the bridge.

Q. Oh, yes.

A. And I think you would get into quite a bit of difficulty, because of the escarpment.

Q. It would be on top of the escarpment.

A. But the trouble is you would have to get up onto the escarpment.

Q. Yes, but I was speaking of when you were coming down the east side. I do not know much about



that. That is an engineering problem.

MR. ROOT: I think you would have to know what your volume of traffic is. I know, as far as I am concerned, if I was driving from the Niagara Peninsula, I certainly would not go around the city of Hamilton, if I could get across the Burlington Skyway.

MR. MACKENZIE: You would be saving four or five miles.

MR. AULD: I think we are agreed if a toll road is proposed between Toronto and Hamilton, the terminals would have to be located on the basis of where the traffic wants to go, particularly the commercial traffic.

MR. COLLINS (Secretary): I think we are discussing something here which could be settled by the engineers, whether it be free or tolled.

THE CHAIRMAN: It does not seem to me we can do much more than recommend that feasibility studies be made. It is very interesting to discuss this, because the Hamilton people discussed it with us.

MR. MACKENZIE: What I was trying to bring out was this; if we are going to propose a toll road, that would be the logical way. Naturally, it would



have to be left to the engineers to decide where it would go.

THE WITNESS: In the event you should decide to have a feasibility study made, we have excellent origin-and-destination surveys and data for both the Toronto area and the Hamilton area.

They have divided Hamilton into about fifty zones, so our data would show not only whether the people were going to Hamilton, but to what part of Hamilton.

The decision as to the exact location could be worked out very closely.

MR. ROOT: How does the traffic from Toronto east, -- say, to Oshawa -- compare? Is there sufficient traffic east of Toronto to warrant a toll road for at least part of the distance, the same as from Toronto to Hamilton?

THE WITNESS: I rather doubt there would be. The traffic volume is such that Highway No. 401 is needed. There are no two ways about that.

But when you consider that Highway No. 2 is currently carrying all the traffic, you would not have to divert very much traffic before Highway No. 2 would be reasonably available again, and it would have stiff competition for the toll road.



MR. COLLINS (Secretary): Would not any road to the center of Toronto, or perhaps through the center, be a practical way of getting in and out of Toronto?

MR. AULD: You mean sort of an urban expressway?

THE WITNESS: I think that is something which could only be decided after some study.

MR. ROOT: That is the feeling which is in my mind. Our recommendation a year ago was that superhighways were a practical answer. The question is whether all superhighways should be subject to a feasibility test, and if that showed it would not warrant a toll road, is a superhighway warranted?

I am thinking of where we drove in the Windsor area. Can we justify building a superhighway if there is not sufficient traffic to warrant tolling?

THE WITNESS: I might throw in a personal observation here. I think we are obligated to build these highways.

I mentioned to Mr. Collins, just before the meeting, that a study was made on Highway No. 401 between Bayview Avenue and the Dixon Road, and from the gasoline tax alone, assuming there is no





increase in traffic, that road will be completely paid for in about eight years.

On that basis, I do not think you should have any compunction about going out and building them, because the motorists are definitely paying for them.

That road has a minimum life of twenty years, and when we consider the growth of traffic we know will come, that road will be paid for then four times over, at least, during the life of the road.

There are other roads with perhaps about 50 percent. of the mileage -- for example, there may be roads in rural areas, which will never pay for themselves.

MR. MacDONALD: Then the words "luxury highways" is a complete misnomer --

THE CHAIRMAN: Just one second: once we leave the particular information Mr. Macnee has to give us, and get into our own discussions, I will cut out the reporting. There is no point in reporting the remarks made in Committee. I think perhaps we have reached that point now.

MR. MacDONALD: My point is simply this; it is a matter of terminology. Our Committee is



getting into a great deal of difficulty. I think the "luxury highways", the "rural roads", and the "northern roads" are not luxury roads.

Here we have an example of one which will pay for itself four times over.

I know it is a tough political problem on public relations, because everybody thinks of them as "luxury highways".

MR. COLLINS (Secretary): Not when you drive on them.

---The witness retired.

---Whereupon the meeting of the Committee continued in camera, and the proceedings were not reported, by direction of the Chairman.

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---Whereupon, at 4:30 o'clock p.m., the further proceedings of this Committee adjourned until Wednesday, December 19th, 1956, at 10:30 o'clock a.m.

- - - -



*Ronald C. Mac Donald*



ONTARIO

P R O C E E D I N G S

of the

SELECT COMMITTEE APPOINTED BY THE LEGISLATURE OF  
THE PROVINCE OF ONTARIO TO ENQUIRE INTO AND REPORT  
UPON MATTERS IN CONNECTION WITH TOLL ROADS IN THE  
PROVINCE.

Mr. J. P. Robarts, Q.C., Chairman.

Mr. D. J. Collins, Secretary.

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REVISED

VOLUME XL

Thursday, December 20, 1956.

TORONTO, Ont.

- - - - -

R. C. Sturgeon,  
Official Reporter,  
Parliament Buildings,  
Toronto, Ontario.





F O R T I E T H                      D A Y

Toronto, Ontario,  
Thursday, December 20th, 1956,  
10:30 o'clock, a.m.

- - - - -

The further proceedings of this Committee  
reconvened pursuant to the call of the Chair.

Mr. J. P. Robarts, Q.C., Chairman,  
Presiding.

PRESENT:

Messrs. Auld,  
Child,  
Root,  
Yaremko, Q.C.,  
Sandercock,  
Mackenzie,  
Jolley,  
Manley,  
MacDonald,  
Mr. D. J. Collins, Secretary.

APPEARANCES:

Mr. Charles F. Conlon,	Secretary, National Association of Tax Administrators of the United States, Chicago, Illinois.
------------------------	--

My dear Sir,  
I have the honor to acknowledge the receipt of your letter of the 10th inst.

and in reply to inform you that the same has been forwarded to the proper authorities for their consideration. I am, Sir, very respectfully,  
Yours obedient servant,  
J. H. [Name]

1871

Very respectfully,  
J. H. [Name]

Enclosed find [unclear]

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I am, Sir, very respectfully,  
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J. H. [Name]

1871

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J. H. [Name]

Mr. R. C. Cooke,                      Department of the  
   Provincial Economist

Mr. P. T. Clark,                      Controller of Revenue,  
   Province of Ontario.

Mr. George Gathercole, Deputy Minister, Department  
   of Economics.

- - - -

THE CHAIRMAN: Gentlemen, I think we can  
get under way.

Mr. Charles F. Conlon, whom I think you have  
all met, is the Executive Secretary of the National  
Association of Tax Administrators of the United States,  
and he has been kind enough to come here from Chicago  
to speak to us, and help us with some of our problems  
concerning both toll roads and weight-distance tax.

Mr. Conlon, I think we are particularly  
interested in the weight-distance tax feature, because  
we find it is a very complicated and difficult subject.

I would like to express our appreciation to  
you for coming. It could not be at a more awkward  
time of the year to ask anybody to leave their own  
balliwick than the week immediately preceding Christmas  
and we are very grateful.

We conduct our meetings in an informal  
manner; we have no set agenda.

1. The first part of the report

is devoted to a general

description of the situation

in the country

and the second part to a detailed

analysis of the results

of the investigation

and the third part to a

summary of the findings

and the fourth part to a

conclusion and recommendations

for the future

and the fifth part to a

list of references

and the sixth part to a

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To give you some brief history of our Committee, apart from a little preliminary canter, may I say that we started to work in September, 1955, particularly on the question of toll roads, and we presented an interim report, which was accepted by the Legislature, in February of last year, in which, briefly, we accepted the principle of toll roads as a method of highway financing, and we have been spending the ensuing year trying to find out how the principle was applicable to our particular set-up in the province.

Then our terms of reference were broadened at the last Session of the Legislature to include third-structure types of tax -- in fact, any types -- and we have spent a great deal of time on that subject.

We have had briefs from, particularly, the Railway Association of Canada, and the Automotive Transport Association, and we were fortunate in having Mrs. Long from New York State come here and explain it to us. I think that was our introduction to the weight-distance tax, and I might say we were all impressed by her evangelical approach to the subject. It certainly was a wonderful introduction, because she knows her subject very thoroughly.





In order to have some order in our discussions today, I think we might spend a little time securing your opinions on the toll road situation. We have come to certain conclusions, in a very loose fashion, as to what we will do in the province, but we have been very interested in recent development of toll roads in the United States -- particularly in the last year, since your Federal Government has finally decided to participate to such a large degree in highway financing in the States.

If you could give us some ideas on the situation with regard to toll roads as they exist now, it would be very greatly appreciated by all the members of the Committee.

MR. CONLON: In the United States?

THE CHAIRMAN: Yes.

MR. CONLON: That is easy. Perhaps, with very few exceptions, relating to a few stretches of highway in a very densely populated part of the north-eastern States, I do not think you could interest anybody in toll roads in the United States today, for the simple reason that (1) the Federal Government is now committed to paying 90 percent. of all costs of construction or re-construction of that system, which is legally known as the "National system of





Interstate Highways".

That comprises about 45,000 miles of main roads in the United States, a great deal of which exists, but a good deal of which must be widened and brought up to date.

This system includes that part of highways which go through cities and metropolitan areas, which is a very costly part of construction, because of the high value of the land which must be condemned, bridges, overpasses and things like that.

And since the highway problem does exist, and the government is going to pay 90 percent. of the cost of construction or re-construction, you could not get any State or local official, under any provocation, to take that work now upon themselves.

The market for toll road securities is quite depressed, and even if some of the States and localities did wish to go ahead, they practically would find no market for their bonds.

For instance, the State of Connecticut the other day -- in fact, twice in the last six months -- has tried to sell some toll road bonds on a limited stretch of road in existence, but with the statutory ceiling presently existing, of 4 percent. on their earlier bonds, they have had no bids at all; the

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investment bankers say there is no point in taking them, because they could not sell them.

That is a very important thing, because if you had told anybody four or five years ago in the United States that a 4 percent., completely tax-free bond was going begging, they would have thought you were crazy, but that is the situation. This compares with existing toll road bond rates of  $3\frac{1}{2}$  percent. on Indiana and  $3\frac{1}{4}$  percent. on the Ohio Turnpike;  $3\text{-}3/4$  percent. on the Illinois Turnpike, and  $3\frac{1}{2}$  percent. on the Kansas Turnpike, which is now fully constructed. With Ohio bonds at something around 82, and the Indiana bonds around 84, that is not a good advertisement for toll-road securities.

THE CHAIRMAN: If I may interrupt for a moment, Mr. Conlon: those toll roads are all earning sufficient to service their indebtednesses at the interest rates they have to pay?

MR. CONLON: No, you cannot say that. The Ohio Turnpike may have. It has only been in operation a year now, and for the first couple of years there may be some costs which are paid out of capital funds still on hand. It is close to it.

But, as far as investors are concerned, "close to" is not enough; if you do not have requirements



covered by 40 percent. or 50 percent., the investors do not like the securities.

The Kansas road is just starting; I do not know what it will do.

The Illinois road is just being constructed, and their bonds move along with the others.

The West Virginia Turnpike is definitely not paying its way.

I think the future of the Ohio and Indiana Turnpikes will depend, to a large extent, on their use by trucks. They have already cut the rates on the Ohio Turnpike to attract more trucking business, and apparently it has attracted a little, but how much, over a period of time, it is impossible to say.

In the last three months, investors in the toll-road securities have foreseen a possible recession this year, probably a restriction in the use of petroleum products arising out of the trouble in the Middle East, and they remember 1942, 1943, 1944, and 1945, and the difference that sort of thing made in automobile travel in the United States, so the market for securities is not good.

But, aside from that, the main thing is the willingness of the Federal Government to undertake this 90 percent. financing. I do not know whether







you have followed that closely or not, but when that legislation was on its way through Congress, a proposition was made, and very sharply urged, that the United States should give credit in these allocations to the States which had moved themselves, by toll roads or otherwise, let us say, within the last two or three years, to relieve the seriousness of the highway problem.

For example, the State of New York built the Thruway and Ohio built the Turnpike. California, for another example, spent very much money on freeways in the lower part of the State, and the proposition was that those States should be, in a sense, compensated by being allotted a larger percentage of these Federal funds, so they would not be penalized for their initiative.

As far as toll roads are concerned, Congress has said, "We do not know whether we will do anything about that; we will study it some more", and it is presently in the process of study.

Such a development deters States from going ahead, as officials say, "What is the use? You try to do what you should in your State, and then in a few years Congress comes along and bails out those who sat on their tails".

[illegible]

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THE CHAIRMAN: Do you think we would be faced with that in Canada?

MR. CONLON: You would probably be in the position of Ohio and New York --

MR. AULD: Could you tell us at what interest rate comparable municipal securities are selling at the present time?

MR. CONLON: The general-obligation securities?

MR. AULD: Yes.

MR. CONLON: The good ones are away under the toll road rates; they are still around 3 percent. These small, independent school districts, which are not well known are exceptions. For example, one Virginia district near Washington, D.C., paid something over 4 percent. --  $4\frac{1}{2}$  percent., I believe -- the other day on some school bonds.

MR. AULD: The yield would be a little bit over 4 percent. and they sold them at par?

MR. CONLON: They sold them at par, and they had coupons of something over 4 percent.

MR. ROOT: If the Federal Government was not paying 90 percent., do you think the toll road bonds would be depressed on the market?

MR. CONLON: In the present situation?

MR. ROOT: Yes.

MR. CONLON: Possibly, yes. I think it still

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would be. The main fact which depresses the toll roads is the 90 percent. Federal programme. I think that effectively stops any further jurisdictions from becoming interested in toll roads but toll road bond prices are suffering, not from the 90 percent. programme, but from the general day-to-day market situation which prevails now, particularly on short-term money, and (2) because they are usually not general-obligation bonds, and (3) because where new improved roads, as in Ohio, have opened up, the coverage is very slim on their interest and sinking fund requirements, and (4) in view of the recent experiences in New York, Pennsylvania and Ohio, with the rise in construction costs, there is some doubt about the ability of these newer toll roads, such as that in Kansas, to pay off, especially where they do not have a terrific volume of traffic.

Toll roads made a reputation in New York, Connecticut and New Jersey, where the density of traffic is just tremendous. The same condition does not exist in other parts of the United States.

On an ordinary day, you can go through Indiana, (where they have a new turnpike) on either of two or three east-west highways, some having four lanes on them, and some still having two, and you can average 45 miles an hour easily, with a speed limit of 60 miles





an hour, but, of course, you have to slow up through some of the villages and cities.

Of course, the travel is heavier on certain days, but I am speaking of the ordinary days, and the situation all over the west is like that. You can fly over Kansas or Iowa, and you do not see many cars on the main roads, although at certain times of the year, of course, there are.

This flow of traffic in the east is practically for twelve hours per day, and you have an entirely different situation. So there has always been some doubt about the practicality of these toll-road projects in what are comparatively the wide-open spaces, and I think some investors have serious doubts as to whether they will pay off, at least, in the first few years.

If the population continues to grow at the pace it has, and if the vehicle population continues to grow at the pace it has, it is the old story, it will turn out, in the long run, to be a good investment. That may even be true of the West Virginia Turnpike.

But, for toll roads, you have to have a high volume of traffic.

MR. AULD: The issues you mentioned: those, I





presume are all not State-guaranteed issues? In other words, there is no deficiency guarantee?

MR. CONLON: That is right. New York pledged its credit for the Thruway bonds, but I think this is the only instance.

MR. AULD: I think in New Jersey, one of the roads has State-deficiency guarantee, has it not?

MR. CONLON: I do not know.

MR. YAREMKO, Q.C.: Is there much difference in the State of New York, between the bonds which are strictly revenue, and the others?

MR. CONLON: If I am not mistaken, the guarantee of the State was worth about 1 percent. when the bonds were issued. If I recall correctly, when the New York Thruway bonds were put out, Governor Dewey recommended that the State's credit be pledged. This was at a time when money was very, very cheap, and I think they sold their first issue around  $2\frac{1}{2}$ , whereas on a revenue basis only, the rate would have been 3.3 or so.

MR. YAREMKO, Q.C.: Is there much difference in the prices of the bonds?

MR. CONLON: Offhand, I cannot tell you. All the New York Thruway bonds, I believe, are fully backed by the State and they sold at a higher price. I believe that today they are not too much below par. Is that



your question? There is a distinct difference in the prices of these securities.

MR. CHILD: You would not have any trouble selling State-backed bonds at 4 percent?

MR. CONLON: Oh, no.

MR. CHILD: The only reason the bonds are not being sold is because they have no definite backing by the State or province?

MR. CONLON: That is right; they are backed by just the revenue. You know why that is done. It is to get around the constitutional requirement of securing the voters' approval to enter into debt. If you had some of these propositions on the ballot which would increase the debt by, say, \$300 million, they will vote "No".

MR. CHILD: In other words, politics --

THE CHAIRMAN: Democracy, Mr. Child.

MR. AULD: I wonder if you know of any cities in the States which have either built or discussed urban toll expressways" In other words, east-west or north-south roads throughout the cities, which are toll roads?

MR. CONLON: To tell you the truth now, this local revenue situation regarding tolls -- and I have gone into it quite thoroughly, and I hope I am not



here under a misapprehension -- but my interest has been mostly regarding financing of the State highways.

However, I think the answer is that outside of the New York Parkway, I do not know of any city which has entered into that sort of thing. Of course, in the future, they will not -- bridges aside. There are many local toll bridges, of course.

But the Federal programme came into the picture, and the municipalities are now in it, in a big way. Previously very little of the Federal money was spent within municipal boundaries.

THE CHAIRMAN: In regard to this present programme of the Federal Government: if they go through a city, they will acquire the right of way, and do the whole thing?

MR. CONLON: No. The city or state actually does all this -- acquisition, building, etc. This new Federal programme is hooked on to the general matter of civil defence. The idea is that there must be some parallel transportation facilities to the railroads and existing roads, because we may need to evacuate a large number of people.

That has had some effect on "selling" Congress on the idea that we must do something about the municipal traffic problem, especially in the larger places. That may be inconsequential in the long run,





but it is the tag on which these huge expenditures by this Federal Government in municipalities has been hung.

MR. AULD: Is it proposed to finance that entirely by a Federal gasoline tax, or will they have a Federal tax on automobiles, tires, parts, and so on?

MR. CONLON: It is all financed by the entire yield from motor fuels, and that includes the existing tax, and the increases which were made last year.

In addition, the increases in the amount of taxes on tires and tubes, camelback and so forth, and the proceeds of the new truck tax goes into this fund, but not the main yield of the Federal tax on automobiles.

MR. CHILD: What is the Federal tax on a \$3,000 automobile?

MR. CONLON: At the present time, I think it is 10 percent. of the manufacturer's cost -- perhaps a couple of hundred dollars.

MR. CHILD: On the manufacturer's cost?

MR. CONLON: Yes.

MR. CHILD: Not the retail cost?

MR. CONLON: No.

THE CHAIRMAN: None of that is going into this programme?



MR. CONLON: No, just the motor fuel tax, and the increases in those various taxes are going into it, along some part of the tax as imposed on trucks. I do not recall the detailed percentages.

This is a pay-as-you-go proposition -- supposedly -- by the Federal Government. There will be no bonds issued in connection with it.

MR. MANLEY: Will you tell us the types of increases which took place in the last year or so to make up this sum for Federal aid?

MR. CONLON: I think I have a slip here which has that information. It was on tires, tubes and the camelback --

MR. MANLEY: Were there any new taxes created?

MR. CONLON: No, I am sorry, I do not have that sheet with me. I have a sheet which showed what they expected to receive from these various increases but, in general, they were taxes which were just general revenue taxes.

Previously, we had a general fund federal tax system, with one exception, that is, the revenues from hunting licenses, which are earmarked for special purposes. When this highway programme was set up, it was said, "It must stand on its own feet", so Congress



earmarked the yield of new and increased taxes to support it on a pay-as-you-go basis.

The big change in policy here was taking the motor-fuel tax and earmarking it for this purpose.

MR. MANLEY: What is the motor-fuel tax?

MR. CONLON: It is now 2 cents per gallon at the Federal level. It was  $1\frac{1}{2}$  cents. I can make the details available to the Committee, if it desires that information. If I had known you would have wanted it, I would have brought it along. I can send up something which you can have for the record, regarding these additional taxes, but, in general, that is what they are, on tubes, tires and camelbacks, and retreaded tires, a weight fee on trucks and increased excises on trucks.

There is an additional weight fee on trucks, which is something new. The Federal Government did not tax highway vehicles on a user basis, except through the gasoline tax. But now, any truck over 26,000 pounds pays \$1.50 per thousand pounds, and when you get into the taxable bracket, you have to pay the tax on every pound from the bottom up. In other words, trucks under 26,000 pounds are exempt. I do happen to have a copy of the tax return with me. It was issued only the other day. I will pass it around, and





you can see what it looks like. There (indicating) is the schedule and the returns-form itself. They are adapted for the large vehicles of a certain type and assigning them to a tax category. For example, the first is "two-axle trucks, equipped for use as single units with an unladen weight of 13,000 pounds", which, for the purpose of this tax, is a 29,000-pound gross weight vehicle. They do not weigh every vehicle, but if you have a vehicle in that category, for tax purposes, that is the gross tax bracket you are in, and you pay the tax on it.

MR. COOKE: That is the Federal tax?

MR. CONLON: Yes. That is something which was added practically at the last minute in this Bill, because Congress apparently figured that simply an increase in the gasoline tax on trucks would not pay enough.

MR. COOKE: I do not know a great deal about it, but I was thinking that in the past, Federal subsidies have been about equal to this revenue from your two-cent gasoline tax. That may not be specific, but the amounts have been about equal.

I was wondering where they secured this extra revenue, if the main source was this two-cents per gallon.





MR. CONLON: The Federal aid programme, as it existed last year, did not account for all the money collected from the gasoline tax. That was one of the big "squawks". Even though it was a big tax, the States said, "You give us that  $1\frac{1}{2}$ -cent tax, i.e. let the Federal Government withdraw from the motor fuel tax field, and let us raise the tax  $1\frac{1}{2}$  cents, and we will show you some road building".

That sounds good, but there was some thought that if the Federal Government got out of the gas tax field the States still would not use the money for road building.

THE CHAIRMAN: They would use it for other purposes?

MR. CONLON: Perhaps, but it would be difficult. The Highway-user folks have been active in sponsoring a constitutional amendment in the States which provides that any money received from the gasoline tax or other revenues relating to the operation of motor vehicles, must be spent on the highways.

That is why, in World War II, we had these tremendous surpluses in the United States. If you could not build roads, you could not use that money for anything else, in many States.

MR. COOKE: Mr. Chairman, there is one other



question I would like to ask. When they fixed this tax on vehicles with a gross weight of over 26,000 pounds, they must have had some reason for picking on that weight.

MR. CONLON: I suppose that is the general weight category which has been picked as the breaking point between ordinary trucks which are largely used locally and those used for over the roads transportation, and it is also the point where the gasoline tax begins to work in favour of the vehicle.

The use of gasoline does not increase proportionately with weight. It does for awhile, and then it flattens out. The less effective the method of fuel tax to secure adequate compensation from that vehicle, is where this break begins, and that is around the 26,000-pound mark.

MR. COOKE: That is interesting, because it is tantamount to the Federal Government saying that these funds are responsible for special highway costs.

MR. CONLON: That is so. But, on the other hand, Congress has also, at the same time, said it would do this temporarily, and it would order the Bureau of Public Roads to undertake a study to see on what basis of highway allocation or the receipt of money from various highway users would be.



In other words, it would ask Congress to do what has been done in a number of States at the present time.

It seems to me, the difficulty in this approach to road building is that the costs will vary so much amongst the various States, that a national allocation figure would not be much good for application in every jurisdiction.

On the average, it probably will be all right, but the people who operate trucks in one section of the country may, on such a basis, be paying a fairly large amount, more or less, than the costs associated with their area would indicate.

As a matter of fact, the former Commissioner of PublicRoads, a man named MacDonald, who was in that post for years, whose opinions carried great weight with Congress, said the fundamental defect of the two studies the Federal Government had undertaken in this field -- that is the one by Eastman Coordination of Transporation" in the early 30's, and one by the Board of Investigation and Research in the early 40's, were trying to establish principles on a national level, which could only be related, actually, to conditions in different areas in the country, and, therefore, that approach was not a good one.





However, they are going to try it again.

MR. AULD: On what basis was it proceeding? We have had several approaches to the allocation of highway costs explained to us on various occasions, the safety theory and so on, and you can come up with quite different answers depending upon which theory you decide to use.

It would be interesting to know what theory they propose to use.

MR. CONLON: I would say they will use the incremental basis, because that is what was used in the Eastman study, and I think, if the Bureau of Public Roads people are inclined toward any method, they are inclined toward these views they have held for many years.

My own opinion is about as follows: I think, in a problem like this that it is not possible to lay down some engineering or mechanical approach and say "This is it", because of all the various factors which are involved. Let me give you an analogy. Are you familiar with the process of evaluating a complex property, such as a railroad, for tax purposes? Here is a property which never sells, in contrast to other types which turn over frequently. With the latter, you can get an indication of its value from the price which people pay for it. This is true about buildings such



as houses, apartment buildings, office buildings and similar properties -- if you know what they sell for, you have a good idea of their value.

But let us consider properties like railroads which do not sell. A great deal of money may have been invested in them at different times, sometimes, perhaps, when money was cheap, at other times when money was scarce so that the pure cost approach is inapplicable.

To appraise the railroad, you might use three different approaches. You might look at the prices for which its securities are selling -- all its bonds, all its common stock, all its preferred stock, etc. -- how much cash it has in the bank and so forth. This is an approach somewhat from an investors' standpoint, the aggregate of these amounts is some indication of value.

If you take the cost of reproduction less depreciation, you will get another indication of the value of the property. Another approach is to forecast the income the property will earn in the future and capitalize it, and that will give another basis of valuation.

I can assure you that often these three evaluations would be widely different, and you cannot say that any one of them would be the value to the



exclusion of the other two. To an individual, one of the indicated values may have more weight than the others, but in the long run, you will consider these three sets of figures together, and you will evaluate their importance, and by the exercise of informed judgment, you will come up with a single figure which is your opinion of the value of the property.

I think the matter of allocating the responsibility for costs among the classes of highway users might utilize an approach of that sort. You have the gross ton-mile approach, which will give you a figure of the extent of use by weight and distance which, to me, is some evidence of both the costs associated with construction and maintenance, as well as the value of that system to the users, measured by the extent of their use. This type of analysis is one thing which is worth looking at.

Secondly, you have the incremental basis, which is generally regarded as more closely related to specific costs. But the answer you get will depend on the highway you take as a standard highway. You may say, "If we did not have trucks, we could build roads which would suit a 4,000-pound vehicle day in and day out, and that will do for our ordinary purposes". Any costs over that amount will be the costs attributable



to the heavier vehicles. If you take 4,000 pounds as a basis, you get one answer. However, if you say, "We will take 6,000 pounds as the basis because I do not think any engineer in his right mind would build a road under 6,000 pounds" -- your answer would be entirely different from the one you get if you take the 4,000-pound basis. Nevertheless, this analysis will throw a good deal of light on the problem to be solved.

Then you can take operations cost analysis and others which have been suggested, and I think you probably need to look at all these things as a basis for a final determination of the allocation of responsibilities among the several classes of users.

MR. AULD: Then you get into weather and soil conditions?

MR. CONLON: That is right.

THE CHAIRMAN: That seems to be getting into the meat of the thing which is bothering us. Could you give us some background of this whole development of the third-structure tax in regard to highway taxation? I think that is where this Committee is at the moment. We are just getting started into the problem of the third-structure tax. If you could give us a little background, it would be valuable.

MR. CHILD: Before we get away from that part





of the discussion, would you venture an opinion on this; if the Federal Government did not contribute anything toward roads for their construction, and if bonds were state-backed, would there be toll roads built?

MR. CONLON: Toll roads?

MR. CHILD: Yes.

MR. CONLON: Personally, I doubt it. I think that in the United States, with the exception of extensions to existing toll roads, we have just about taken in all the projects which would be economically feasible on a toll basis, considering the amount of traffic. I think, in one or two instances, that existing projects could be a little thin right now, for example, consider the Kansas Turnpike. That is one about which there is some doubt.

So, aside from the Federal programme, I believe we have reached the point where, on the basis of traffic-engineering studies, it is going to become increasingly difficult to secure approval for any toll projects and go ahead with it.

MR. YAREMKO, Q.C.: What would they have done with highways? Would the construction have been proceeded with, or would they have tried to get along?

MR. CONLON: That is a hard question to answer.



My opinion is that the States would have proceeded to build them, probably on not as fancy a basis as a toll road project, but the States would have proceeded to build these roads, financing them probably by an increase in the gasoline tax, or the sale of bonds.

Bonds are not out of the question, but the procedure you have to go through in some of the States to have the issue approved may be time-consuming. In the last election, there was something like 2.7 million dollars worth of bond issues on the various ballots; State, municipal, school districts, and the like, and roughly about 2.4 billion dollars of proposed issues were approved. Those proposals covered everything, schools, highways, sanitation, etc. Bond financing can be done, but it is a complicated procedure and as far as the States are concerned, for highway purposes, they are prepared to by-pass this financing if they can.

MR. MacDONALD: In other words, in your opinion, the drop in interest in toll roads is permanent, or do you think it is only temporary?

MR. CONLON: On the present basis, with present conditions, I would say "Yes". Even if the Federal Government were not in the picture, new projects would be coming up, but I think that right now many



would be turned down.

THE CHAIRMAN: Let us ask Mr. Conlon about the proposition we were discussing yesterday, and we can show him the maps and figures.

This (indicating) is a map of the traffic flow. The yellow line indicates the present volume of traffic, the red line indicates the projections ten years hence, and the green line indicates projections twenty years hence.

I think the scale is on here (indicating), and this (indicating) is the area between Hamilton and Toronto, showing the traffic presently carried.

Here (indicating) is a breakdown of the figures. There are three highways from Toronto to Hamilton, and we are thinking in terms of a toll road linking those three.

MR. CONLON: How far is that?

THE CHAIRMAN: It is about 35 miles.

MR. CONLON: There is a good precedent in the United States, in the toll road between Denver and Boulder City, in the State of Colorado, built to handle just this sort of thing in a very limited area. It apparently is very successful. It is just as much a toll road as the Ohio Turnpike, for the distance it goes.





THE CHAIRMAN: When we get into this proposition, this road I mentioned to you, from Detroit to the Quebec border, you can see from here (indicating) how the traffic volume falls off. We considered it practically impossible to toll it at the present time, and we have come to the conclusion that some of these areas did not warrant a feasibility report, although possibly, in due course, that may be considered in connection with the roads to Buffalo and in the Niagara area.

MR. COLLINS (Secretary): That is, with no Federal money involved, and the province backing the bonds.

MR. CONLON: This is an engineering proposition. I think you need to know the present amount of traffic, and what it will be in five or ten years, and the cost involved, to determine whether it is practicable from a revenue standpoint. You will have to have an engineering opinion --

MR. COLLINS (Secretary): We have the traffic count.

THE CHAIRMAN: Yes, but it is beyond the purview of this Committee to have a proper feasibility report which might cost between \$75,000 and \$80,000 to prepare.



MR. CONLON: Do you suggest such a two-pronged highway as a practical thing?

MR. CHILD: What I was getting at was this; if there are still areas in the United States where feasibility reports showed they would support a toll road, if you did not have a Federal grant, and the bonds were backed by the State, do you think they would proceed?

MR. CONLON: I think there is a good possibility under these circumstances. That is why the New Jersey Turnpike has been built.

MR. CHILD: They have circumstances similar to what we have in the province at the present time, but we do not get a penny from the Federal Government. We have to do everything "on our own". It is reasonable to assume the bonds will be backed by the Government, and the traffic is there to pay for it. That is the position we are in.

MR. CONLON: On the question of tolls, what do you envisage on a stretch like this from Hamilton to Toronto? It is 35 miles, you say?

MR. CHILD: From 35 to 40 miles, roughly. We do not know, but the toll may be one cent or perhaps one and one-half cents per mile.

THE CHAIRMAN: We have considered only



tentatively the advisability of having a feasibility study prepared. We are in no position to say how much it will cost, until we secure these figures. It is more of a basic concept of a toll road.

If we decide it is the proper thing to do, the details will be worked out by our engineers, but we have been bombarded from the United States and various parts of Canada with statements to the effect that the day of the toll road is over.

MR. CHILD: It is over, because you have used the sites where the traffic would support the toll road?

MR. CONLON: That is right.

MR. CHILD: If you had another area, similar to the New York Thruway, in the western part of the United States, I think it is reasonable to assume you might consider a toll road?

MR. CONLON: If there was no Federal aid, yes, but the expanded Federal aid programme is coming along now --

MR. CHILD: But if there was no Federal aid?

MR. CONLON: That is right. I think under the conditions you specify, more toll roads would be built.

MR. CHILD: And the day of the toll road is over because of the Federal aid?



MR. CONLON: Yes, as to major projects. I will tell you what you want to be ready to meet when you get into the discussion of this particular proposition you have here.

In Los Angeles County, they handle a tremendous traffic flow in that area through the use of freeways -- restricted access highways. There are no tolls on them. I do not know, but I would suppose there would be a pretty good analogy between the situation out there with what you might have here between Hamilton and Toronto, because here too you have a large utilization of motor fuel. The people using those roads will burn enough gasoline to pay for a free road and in any area of concentrated traffic you have to meet this argument.

MR. CHILD: Los Angeles has a concentration of good roads in one area, but they leave a great deal to be desired in other parts of the State.

MR. CONLON: They leave a great deal to be desired on the road between San Francisco and Los Angeles. Los Angeles does not have a local gasoline tax. State and county financing are involved. Also there is some Federal participation, but not on the scale it is going to be.

MR. CHILD: We have never received any money





from the Federal Government, and we do not anticipate any change in that.

MR. COLLINS (Secretary): The present situation is there is a semi-controlled access highway between here and Hamilton, and two other highways, which provides a total of eight traffic lanes. The traffic engineers predict we must have another road within eight years.

THE CHAIRMAN: Yes, be it free or tolled.

MR. CONLON: To continue -- I think you will get into a terrific discussion on this point. We have it in the States all the time. For example, in the State of Illinois, approximately one-half of the population is in Cook County. One-half of the fuel tax is generated in Cook County, and one-half of the motor-fuel consumption is in Cook County. The rest of the State -- the southern part of Illinois -- is largely agricultural with less concentration of vehicles. We have a State programme to build a toll road around Chicago in Cook County. It will go into one or two other counties, but mostly will be in Cook County.

The objection to that plan -- and it was vigorous -- was that this gasoline tax money generated in Cook County is more than ample to build a free road. The argument was made that in addition to taking some of the



gas tax money from Cook County for expenditure down State, the State comes in and authorizes a toll road which will cost users the equivalent of 25 cents, 26 cents or 27 cents per gallon for the use of that road. When you speak about "1½ cents per mile", it really is equivalent to about 25 cents per gallon gasoline tax.

There was a big "ruckus" about this proposition before it was approved, but it became merged into other issues, so I do not know how to appraise the final public reaction to it. I mention it because here you may have essentially the same thing, and it is a question which can easily "raise the dickens".

MR. CHILD: Yes, but we do not have the sectionalism here you do in the States.

MR. CONLON: Most of the multi-million dollar highways in the States are in metropolitan areas and the users are contributing greatly through gasoline tax.

MR. AULD: But we have provincial grants, and we can subsidize the municipal-road costs in those areas, but the municipal costs are much higher. Everybody realizes we have 432,000 square miles in the province of Ontario.

MR. CONLON: The people in this area are, like we are, paying plenty to finance this sort of thing. If you are going to double the 11-cent tax, it would seem that is pretty rough.



This other section perhaps looks like the tail end of the Garden State Parkway, which is the second largest toll road in New Jersey.

The southern end of that, in the winter time, is such that you might have a party in the road and nobody would bother you. Other sections where the traffic is the heaviest, subsidizes the other end of it.

MR. CHILD: The Committee has travelled from one end of the province to the other, and up to the northern part, and the consensus of opinion seems to be that they are quite prepared to pay a little extra in the way of tolls, if they can secure the roads now.

MR. CONLON: I do not doubt that. Here is something I have noticed. For years, the only toll road in the United States was the Pennsylvania Turnpike, which was started as a project during the depression, and they utilized some of the old tunnels built by the railway which were never used.

That road goes through a hilly country. If you were to be behind a truck on the old Lincoln Highway, for instance, there would be nothing for you to do but stay behind it. The United States, through the Public Works Administration, advanced a great deal of





money to start the Turnpike. I would say this was around 1935 or 1936, so we only had one good section of it constructed by the time the war came along. That turned out to be a timely project.

Then building was continued after the war. People driving through Pennsylvania would get on the Turnpike and could stay on it roughly from Pittsburgh to Harrisburg. I think the toll was about  $1\frac{1}{4}$  cents per mile. People would pay the toll amounting to three dollars or so, and then would come back home and tell everyone how beautiful the road was and how willing they were to pay for that sort of highway. They felt the turnpike represented the kind of roads we should have. They were paying about 25 cents a gallon extra gasoline tax, and didn't mind it.

Now let me tell what happened when a gas tax increase is proposed. Illinois, in those days, was trying to get along with a 3-cent gasoline tax, one cent went to the State road fund, one cent to the cities, and one cent to the counties. So, in Illinois, we were trying to maintain the State system of highways on a State basis with a one-cent gasoline tax.

The highways had been run down during the war period, because it was desirable to relax weight restrictions in order to permit the movement of trucks



hauling steel and other heavy commodities.

The Governor in 1949 proposed to raise the gasoline tax to five cents, because of the work which had to be done on the highways. That proposal was voted down. And yet many people were apparently willing to pay 25 cents a gallon if it could be collected in the form of tolls. How they figured, I do not know.

MR. CHILD: I do not think it is too difficult. When they were buying service, they received it, while the others were paying for something which they might, of necessity, not receive. I am prepared to pay for a parlour car seat to Montreal, which is really an additional tax, but if I do not wish to use it, I do not have to, but it is provided in case I do want to use it at a later date.

MR. MacDONALD: I think you are "kidding" yourself.

MR. CHILD: No, I am not. We know of people who have paid, say, \$3.00, and saved that amount or more in actual travel, and preferred to use the facilities for good travel, rather than go around on other roads.

MR. ROOT: There is a question with regard to Federal aid: you say it is all paid out of this 2 cents tax, the new tax which will be imposed?



Then the Government in the United States collects a sales tax on motor fuel, in addition to the 2 cents.

MR. CONLON: No. The 2 cents is the only tax. It is one of the Federal taxes called "manufacturer's excise" in the United States. You might call it a sales tax, but we should be clear on the point that the total Federal tax on gasoline is 2 cents.

MR. ROOT: In Canada, it is called a "sales tax".

MR. CONLON: No, the Federal Government has no generally applicable "sales tax" in the United States. The Federal government imposes a series of manufacturers' and retailers' excises on a selective basis.

They have a series of selective taxes imposed at the retail level. These are the retail taxes on furs, luggage, cosmetics and jewellery. Then there is a series of selective taxes on automobiles, television sets, radios, light bulbs, and so forth, at the manufacturers' level. Everything is named; there is no general "across the board" sales tax at the Federal level. These excises include the tax on tubes and camelback.

MR. CHILD: What is that?

MR. CONLON: Camelback is used to retread tires.



Truckers use retreads quite a bit.

Then there is a user-tax on trucks, which is a new one, in addition to the excise on the sale price. I will send you a list of these taxes, and show you what each yields.

MR. MacDONALD: I think that would be rather interesting, together with the yield they anticipate from this extra tax on trucks.

The whole range of this extra tax on trucks is, in effect, a tax over and above anything they are paying now?

MR. CONLON: Yes.

MR. MacDONALD: Over and above the weight-distance tax, in the States where they have it?

MR. CONLON: That is right.

MR. CHILD: This extra tax is paid only on interstate trucks?

MR. CONLON: No, the regular manufacturers' excise applies to all sales by the manufacturers whether or not the buyer would use these trucks on the highways. However, if they are not used on the highways, the additional tax does not apply. The basic tax does.

If you have, for instance, a logging truck, you might use it solely on your reserves, and not on the highways at all. Now, suppose you bought tires for





this truck. You would pay the regular tax on the tires, but not the additional tax which was added as part of the Highway Revenue Act, of 1956, because the additional taxes do not apply to non-highway use of the taxed items.

MR. CHILD: The 90 percent. the Federal government will pay is on interstate highways, or the connecting links?

MR. CONLON: No. It is to be spent only on those roads which are legally designated as the "national interstate highway system". This mileage is laid out on the map. Certain highways are officially designated as part of this system, and they are all major, interstate highways, or urban extensions of them.

Would you like to see a map of the system?  
I can get you one very easily.

MR. AULD: It is a little difficult to make comparisons, because in various States you have a little different arrangement than we have here. You have some States where there are very few of what we call "municipal roads", or "farm-to-market roads", or "county roads". You have a high preponderance of State highways?

MR. CONLON: You mean there are differences in what comprise the so-called "state highway system"?



MR. AULD: Yes.

MR. CONLON: That is right. We have a great number of the farm-to-market roads in many States.

THE CHAIRMAN: I think we will break off for luncheon. We will re-assemble at two o'clock and spend the afternoon on the third-structure taxes.

MR. MACKENZIE: Regarding the West Virginia Turnpike; it does not seem to pay its way. What is the reason for that?

MR. CONLON: The main reason is that it does not start anywhere and does not go anywhere.

MR. MACKENZIE: If it was connected up with the Ohio Turnpike system or the Pennsylvania Turnpike, might it be different?

MR. CONLON: Even if it was better connected in the State of West Virginia itself, I think it might be better off. That is the fundamental reason why it is not paying. It is a stretch of highway which I think is eighty miles long, and it is difficult to get on it from many traffic arteries, and when you get to the other end, it is very difficult to get off of it onto the other main highways.

MR. MACKENZIE: From where does it run?

MR. CONLON: I think it starts at Princeton. It is in the middle and southern parts of the State.



MR. MACKENZIE: Was the original idea not to connect it up with the Ohio Turnpike system, and then down through Virginia?

MR. CONLON: I think the original idea was to make a connecting link between some part of the present intrastate highway state system, but it ran into difficulties right at the beginning.

First of all, they must have had some bad estimates to begin with, because they thought they had issued bonds to cover the construction of a four-lane divided highway, but when they got going with the project, they found out they could only build a two-lane highway.

MR. MACKENZIE: It was for lack of funds?

MR. CONLON: That is right. The original estimate, both as to traffic and costs, must have been very poor.

MR. CHILD: Actually, the failure of the road could be attributed to engineering errors in the feasibility reports?

MR. CONLON: And its location. I would not use the West Virginia Turnpike as a precedent for anything.

MR. CHILD: Except not to build one.

MR. CONLON: Yes, that is right. That project





was off badly all the way around and now it is not earning its interest. Thus far the deficit of interest has been paid out of the remaining construction funds.

If they go in the hole now, they will go more in the hole next year.

MR. MACKENZIE: Is there any possibility of it continuing?

MR. CONLON: Officials are discussing a number of steps. The State Administration will be changed soon with the inauguration of a new Governor. There is some talk about the financial structure may be re-organized.

Once they have stopped paying interest, the bondholders may step in and try to re-organize the road. I imagine that is the most likely thing to happen in connection with that road.

THE CHAIRMAN: We will adjourn now until two o'clock this afternoon.

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---Whereupon, at 12:25 o'clock p.m., the further proceedings of this Committee adjourned until this afternoon at two o'clock.

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A F T E R N O O N      S E S S I O N

Toronto, Ontario,  
Thursday, December 20th, 1956,  
2:15 o'clock p.m.

- - - -

The further proceedings of this Committee  
reconvened pursuant to adjournment.

Mr. J. P. Robarts, Q.C., Chairman,  
presiding.

P R E S E N T :

Messrs. Auld,  
Child,  
Root,  
Yaremko, Q.C.,  
Sandercock,  
Mackenzie,  
Manley,  
MacDonald,  
Mr. D. J. Collins, Secretary.

A P P E A R A N C E S :

Mr. Charles F. Conlon,	Secretary, National Association of Tax Administrators of the United States, Chicago, Illinois.
Mr. R. C. Cooke,	Department of the Provincial Economist.



Mr. George Gathercole, Deputy Minister, Department of Economics.

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THE CHAIRMAN: Gentlemen, we have a quorum, so let us re-commence.

The floor is yours, Mr. Conlon.

MR. CONLON: In regard to the subject assigned for this afternoon: the reason I think Mr. Collins asked me to come up was in connection with this matter of the third-structure tax.

CHARLES F. CONLON

Executive Secretary, International Tax Administrators Association of the United States (Chicago) re-appearing before the Committee, but not being sworn, continues his deposition as follows:

BY THE CHAIRMAN:

Q. Mr. Conlon, will you proceed, please, in your own way?

A. I would like to say a few words about this, and when I have finished, I think you will probably have some questions.

First of all, this name "third-structure tax" was invented probably for the lack of a better word.



It is very often used as though it were a bad word.

The tax levied on passenger cars and trucks has been termed the "first-structure basis", or "tax".

For many years, about the only other base of taxation we had, was the gasoline tax, and a combination of the two constituted the motor-vehicle-user taxation field.

Then it became apparent in some States that other methods of taxation were needed in order to bring about a more equitable distribution of the highway-users tax burden, and this development began when highway expenditures began to mount rather rapidly, and as the trucking industry grew and the size of trucks increased.

So these new taxes, other than the registration fees, or the motor-fuel tax, have been given the name of "third-structure taxes". Practically any tax other than a flat fee and a motor-fuel tax came within that category known as third-structure taxes.

These are taxes which are plain mileage taxes, the so-called "ton-mile tax", in the strictest sense, and a variety of weight-distance taxes, and the gross-receipts tax, of one sort and another. They are all different but all are included in the general characterization of "third-structure tax".





There are quite a few third-structure taxes of one kind and another in the States. Actually, the gasoline tax in a couple of States right now could be classed with the third-structure tax, because it is not a flat rate gasoline tax; it is one in which there is really a differential rate which depends on the type of use, and I refer to the gasoline tax, for example, in Virginia and Kentucky, where vehicles which have more than a given number of axles, are subjected to a special gasoline tax, which is different from the gasoline tax imposed on all other vehicles.

In both cases, there is a two-cent differential over the tax for ordinary vehicles, that is, seven cents; for the vehicles which come within the heavier weight or more numerous axles, it is nine cents.

There is another point I would like to make at the outset, and I think it is a very important one, in dealing with this third-structure tax. My point is that there is a difference between the use of the term ton-mile in reference to a method of allocating highway-user cost responsibilities between the different classes of highway users on the one hand and as a method of collecting fair charges from highway users within the same class on the other hand. That is where the difference in the use of this terminology is important



and we should be clear about the sense in which these words are being used at any given time. When I speak about weight-distance taxes, it is in connection with the use of some sort of a mileage tax to distribute the tax burden which applies to all highway users, amongst the various types of highway users. Do you follow me?

Q. Yes, Mr. Conlon.

A. As to the first problem I mentioned, the allocation of highway costs between classes of highway users, there is a great deal of controversy, and that is why you find it argued that one should do it in some way other than by a ton-mile allocation, i.e. by incremental costs, or utility value, or whatever other methods might be suggested.

As to the second problem, outside of the trucking industry itself, practically everybody who has ever looked at this problem, sees on principle no objection whatsoever to using a mileage tax, or a mileage tax which is graduated as to weight for collecting from some types of highway users, their proportionate part of the tax responsibility attributable to their class.

In other words, anybody who has looked at this thing, and who has any kind of an open mind,



acknowledges that some sort of highway tax with weight and mileage elements provides greater equity amongst the various types of highway users in the same class than any other type of tax.

I insist on this distinction at the outset, because I challenge you to pick up almost any piece of controversial literature where you do not see that this distinction I have just made is wholly obliterated. People are quoted as expressing an opinion against the desirability or equity of some sort of a weight-distance tax, when what they really said was they thought there were other and better methods of apportioning responsibility between classes of users than the ton-mile basis of allocation. I think you should insist on this distinction, because these two things are entirely different.

I am dealing with the use of a mileage tax this afternoon as a means of collecting tax from members of a class. If you want to collect a certain amount<sup>of</sup>/money from the members of a class, what is the best way of going about it? If you decide to use some sort of a mileage tax to do this, is there any real objection to it, on the grounds of equity, the grounds of administrative feasibility, or any similar grounds? To repeat, this is the matter we are dealing with this afternoon.





Aside from revenue productivity, you are interested in two things in taxation, (1) the practicality and the administrative feasibility of the tax and (2) its fairness. I think there is not much doubt that, in general, the combination of the motor registration fees and the motor-fuel tax is the best one to apply to all passenger cars. I think that is about the best combination to apply to the light trucks, also.

Now, that is so, because the flat part of the fee may be regarded as some sort of a standby charge, or a general-service charge, which you pay, because the facilities are available, and the actual apportionment of your responsibility according to use is obtained by the collection of taxes from you, when you buy gasoline.

While it is not perfectly exact nor precise, in general, the amount of gasoline used in a passenger car or a light truck varies in proportion to the amount of use.

We have found that nobody in the States seems to be concerned about passenger cars or light trucks, insofar as the combination of the flat fee and the gasoline tax is concerned.

There is -- and you will find this in many



places -- some dispute about the size of the flat fee which should be applied to the small trucks. There is a great difference of opinion there. Some of it is frankly political. In some States, you can register a farm truck very cheaply. This truck probably uses the roads just as much as other vehicles of its size, but it is a farm truck, and it must have preferential treatment.

In general, it is the attitude of most people who have looked into this matter, that, insofar as the small trucks and passenger cars are concerned, this combination is o.k. There never has been any real interstate problem with these classes, because the small truck and the passenger car have a limited gas capacity gas tank. If they drive a couple of hundred miles, they stop and re-fuel, and while it does not work out in practice, 100 per cent, it works out in such a high percentage of the cases that nobody is worried about it. If one of these vehicles travels 300 or 400 miles in your State, the operator will almost certainly buy gasoline. He may not use it all in your State, but, on the whole, since this travel goes on all the time, everybody is satisfied that no real harm is done.

In the interest of accuracy, I want to qualify



that generalization, because there may be some exceptions where in large cities, side by side in different States, with people going back and forth every day, there may be a one-cent differential in the gasoline tax. You may find some people who make it a point to take advantage of the one-half or one-cent differential in price. But these are so small in number that, in the long run, it does not appear to be a problem.

For years, we have had a policy of reciprocity in the United States; we have it as between one State and another, and we have it with you in the provinces of Canada.

As far as passenger cars are concerned, it is presumed they will pay their way through payment of the gasoline tax. When you come to trucks, and more especially the larger trucks, those which travel in a number of States, a great deal of attention has been given in recent years to the fact that under the unlimited reciprocity rule there may be, and very often is, demonstrated by tests, a substantial deviation between the amount of travel in State "A" and the tax payments to State "A", compared to payments and travel in the "home State". For example, if the vehicle is registered in State "B", and has its headquarters there, the chances are it maintains a





fuel storage there, and fuels its vehicles in State "B".

If the vehicles are registered in State "B" and pay their fuel tax and registration fee in State "B", they can ride through State "A" to State "C" without paying any fuel tax nor any registration fee on account of the reciprocity rule. A number of legislators have become more and more concerned with the fact that there are vehicles travelling in the State, with heavy mileages, carrying large loads and yet which do not pay anything on highway user taxes.

What will you do about it? By and large, many of the motor vehicle administrators in the United States -- and I am speaking of the people who deal with the registration, control and regulation of vehicles -- who are committed to this policy of license-plate reciprocity, feel that if a vehicle is registered in one State, it should not have to pay any registration fee in the other. For a good many years, it was argued that if a vehicle was properly registered in one State, it was not subject to any tax elsewhere except where the operator might buy gasoline in the second State as a matter of convenience. However, as to heavy trucks, many legislators have departed from that idea, and require that gasoline commensurate with its use in the second State must be purchased in that State or





in the alternative on equivalent tax payment made.

In about twenty-five or thirty of the States of the United States, that is now the law. As to these trucks, no matter where you buy your gasoline you are required to pay the tax which would be applied on the gasoline that you use in the State. So this element now of truck payments to the State, outside of the registration fees, has now entered into the interstate truck field, for this reason, that it is the only way some contribution can be obtained from these vehicles for their travelling within the State.

This tax liability for the use of gasoline may be required in one of two ways; you either buy fuel on a tax-paid basis within the State, on the amount of gasoline commensurate with use, or, in the alternative, you simply pay the tax on the amount you do use. In either case, you need to make a report on a monthly or quarterly basis, showing the mileage travelled, the amount of gasoline you bought and paid for in the State, and the deficiency, if any, for which you remit the tax.

Right there I would like to call attention to the fact that all States which have that system are, in effect, enforcing a mileage tax, although it may not be collected in the same way from all the carriers



subject to it. When you tax a person the amount of fuel he uses within the State, you are, in effect, saying "You must pay so many dollars for so many miles of travel", and this works out in the very same way as a mileage tax, except on the mileage rate --

BY MR. MacDONALD:

Q. How do you avoid double taxation?

A. In some cases, you do not. The only way it can be surely avoided is for the carrier to buy his gasoline, tax paid, in the State where he is going to use it.

As far as I know, there is only one State which will give you an outright refund on the fuel which has been tax paid in your State, and used in another State. Most of them will not do it, but they allow you credit. If you buy more gasoline than you use in that State, they will allow you to carry over the excess as a credit against the next reporting period.

In other words, the fact is in many States you have to pay the gasoline tax on the gasoline you use in the State, and it is to your interest, therefore, to buy it within the State.

Strangely enough, there are States where that practice is followed, which object very much if trucks registered in their States are subjected to a



mileage tax as such, in other States. They say, "We want the gasoline tax on fuel used in this State on a mileage basis" and that is all right, but a mileage tax as such is a "trade barrier", "illegal", "unfair", and what not. That is a strange thing to understand, but that is the situation.

I will give you an example of it. In Ohio, there is an axle-mile tax, which starts at 5 mills, and goes up to 2 cents -- 20 mills.

The Department of Motor Transportation of the State of Kentucky protested very, very strongly about the fact that vehicles registered in Kentucky were subject to the axle-mile tax when they went through Ohio. Actually, Kentucky, with a seven-cent fuel tax, was imposing a higher mileage tax than Ohio, within the first two brackets of the Ohio axle-mile tax. That seems strange to me, but that is the result of the bad connotation of the term "third-structure" tax. They say, "We didn't have this twenty years ago, so it must be bad". But you get very, very consistently, an illogical attitude about these things which, on the surface, are quite fair.

There was one time when the motor truck industry protested very much against this business of taxing gasoline on the basis of use, but they have come





around now, and advocated it. The industry agrees that it is fair, and that it is feasible, that it can be done, and it does not cost too much to do it, and they would like to see that sort of law adopted in many other States, where once they fought this proposition.

Now about the same time another proposal began to claim attention, namely that for these large vehicles, where there is a considerable difference in the amount of mileage they travel on an annual basis -- a difference that may range anywhere from 10,000 miles to 100,000 miles a year -- to the extent that you have a flat fee which applies to all vehicles in that class, it is inequitable, and it becomes all the more so because as the weight of the vehicle increases, the usefulness of the gasoline tax as a means of exacting an equal contribution, declines. That is the same point which somebody raised this morning, that when you get up over 20,000 or 25,000 pounds, the gasoline tax becomes less equitable, in the sense that you get more travel. The consumption of gasoline does not go up proportionately as the weight goes up, as compared with the smaller cars and trucks.

So there was a great deal of talk that something should be done with respect to the flat fees, because they are an important source of revenue.



That is the reason why the imposition of sort of an outright mileage, ton-mile, or weight-distance tax has been suggested, and I think a substantial example of that is in Oregon, where, as to trucks, the flat fee is inconsequential and all real tax is in the rates applicable to various weight-distance categories. If you travel a great deal, the tax will be very high; if you travel just a little, it will not.

The trucking industry has been adamant against the mileage tax graduated by weight, or any of its varieties, because it will mean a larger tax bill for the large vehicles which are constantly in use, and which run up comparatively large mileages.

For a long time, the industry maintained the position that the initial registration of the vehicle was the governing factor, and that it would be bad policy to follow anything but a system of outright reciprocity. For a good many years, they maintained that position.

But again, in just the same way, as was the case with the gasoline tax, they realized that public opinion -- in the Legislatures, anyway -- just would not "go along" with this business of paying a couple of hundred dollars in one State as a flat fee -- or \$500. or whatever it might be -- which would give the privilege



of operating that vehicle in all other States without payment of any weight or registration fee whatsoever.

They have now suggested -- and this plan is in effect in the western States -- that, to obtain equity in the States where the vehicle travels, these flat fees shall be apportioned amongst the States in accordance with the mileage travelled. The result is if an operator has a fleet of vehicles, and one half of the fleet mileage is in California, one-third in Oregon, and one-third in Arizona, they will pay the weight or registration fees on the so-called "vehicle pro rata basis".

That represents a considerable concession on the part of the trucking industry, and will result in a much more equitable sharing of the money involved.

However, there are some "bugs" in that scheme which need to be worked out. One relates to the handling of small fleets which have less vehicles than the number of States in which they operate. So I think, in the west, they will probably change to the system of dollar pro-ration of these vehicles, and will secure better results.

The development of the gasoline tax on a use basis and this pro-ration scheme for fixed fees whereby each State receive some portion of the flat-fee



revenue represents a great advance over the situation prevailing ten years ago. There is a much more equitable distribution in the States where it is used.

There are many States which do not use this plan. The only vehicle fees they receive are from those vehicles which are registered in the State, and some of these States still do not receive anything from trucks which come from other States, and bring gasoline with them in the vehicle fuel tanks. I think that condition will not long continue.

Our Association's interest in this problem comes about because of this matter of reciprocity.

When we got into the thing, the President of the National Association of Tax Administrators was the Commissioner of Revenue from Kansas, Mr. Bert Mitchner. He suggested that interstate relations were in a rather difficult position because of reciprocity problems. There was a good deal of conflict amongst the State regulatory agencies with respect to the taxation of heavy vehicles,,and he suggested that something should be worked out whereby each State, through which these vehicles travelled, should receive a fair proportion of the revenue involved.

He asked the Association to appoint a committee from amongst its members, which would recommend some





practical solution. This was at a time before anything concrete had really been developed in the matter of proportional registration.

We worked on this problem for a couple of years, and here (indicating) is the gist of our recommendations. First of all, we thought there was no point in bothering with passenger cars and light trucks, because there was no problem there.

Secondly, as far as trucks which operated in one State, there was no problem, because they were subjected to whatever registration fee there was, and they travelled all their mileage in that State, and that was the end of it.

The main problem then involved vehicles travelling in more than one State and here we were dealing with interstate carriers, and especially with those vehicles which weighed over 25,000 pounds. I think our cut-off was a little below that figure, but anyway we were dealing with this class of high gross weight vehicles travelling over State lines. We felt a fair solution of the problem was to charge these vehicles strictly on a mileage basis in relation to the amount of travel within each State jurisdiction. Also, we decided that the particular highway tax structure in each of the States should be the basis for



determining the mileage rate.

As far as motor vehicles and highway taxes were concerned, we thought the topography, the types of roads, financing plans and so forth in each State determined the method of taxation to be followed, and we felt that each State Legislature had its own good reasons for setting up the tax structure it had adopted, and we saw no reason for changing the internal highway tax structure of any State. We took each State's highway user tax structure the way we found it, and we said the way to apply tax structure to heavy vehicles from other States, was to compute on the basis of classes of vehicles by weight categories, the average rate paid per mile by vehicles of that class operating wholly in that State.

We included all highway-user taxes in the computation , the flat rate, license, weight fees, carrier fees, the gasoline tax and whatever else there were. We added them all up, to see what a vehicle of, say, 35,000 pounds would pay on the basis of the average mileage of this class of vehicles travelling wholly within the State where they paid all their taxes. On the basis of that computation, you would come up with a mileage tax rate, and that mileage tax rate would be one which was based solely on the particular system



in each State. This, then, was the rate which would apply to vehicles from outside the State, and they would pay that mileage rate for every mile they travelled, but they would not pay anything else. That is the gist of our proposal.

In other words, trucks from outside the State from wherever they came, would pay for the use of the highways on the same basis per mile of travel as the vehicle within the State. That sounded fair, and there was no grounds for discrimination.

On the other hand, there is no point in allowing commercial traffic from other States to enjoy the use of the highways on a more favourable basis than that enjoyed by the people in the State itself. That was the gist of our plan.

We have developed a basic plan of administration for this proposal. As far as registrations were concerned, they would be handled where the vehicles were principally garaged, or where the truckers' particular places of business are located. The administration of the tax presented no particular difficulties as far as we were concerned. It could be done on an efficient basis at no unreasonable cost, and we envisaged the possibility of having cooperative State action as far as field enforcement was concerned.





That is, if you want to check the tax liability of company "A", you would look at all their operations, and make an allocation to each of the States concerned, to see if their reports were made correctly to all States concerned.

There was not a great deal of objection raised to the basic principles we followed. I would be less than frank if I told you the trucking industry was in favour of this plan, because they were not. They are not in favour of the mileage tax, and they probably have good reasons for their opposition. They feel that probably, once you start this system, you might have a reasonable rate this year, but next year the Legislature might "jack" it up a couple of mills. Tax rates are easy things to change once the law is on the books. The rate may be 16 mills this year, and perhaps 18 mills next year. It is easy to change. That is one reason why they do not like the tax.

Secondly, I think the trucking industry does not like it, because it would make quite a difference in the distribution of the tax bill between different elements of the trucking industry.

You might have 50,000 vehicles operating wholly within the city of Toronto, and their mileages would not be very high, and again you have these large



vehicles running from Montreal to Toronto, back and forth, with the tractor hauling different trailers on each run with consequent high mileages. On the west coast, it is nothing to have these trucks running 100,000 miles a year. Many of them do that. While the industry did not raise any particular objection to the general theory, they did stress that there were administrative difficulties to be anticipated. It was also argued that "That plan is all right, but there is no means of getting it adopted in the many States at one time, and it is then impractical, so let us not fool with it." That is a point which appeals to legislators.

We anticipated no difficulty on that score, and if you take a look at what we actually proposed, you will see there are stopgap provisions with respect to reciprocity, so there would be no difficulty in that respect.

On this matter of reciprocity; I would like to emphasize the point, which may be of some importance to you, that we have simplified the problem of reciprocity.

There is no trouble as far as the light trucks and the passenger cars are concerned. With the heavy trucks, once the State adopts the interstate plan as advocated by the National Tax Administrators Association, then if your interstate trucks are registered under the



interstate plan in that State, you will pay a mileage tax. There is no question about that.

But if you are not registered under that plan, then you would pay the flat fees in the States where your vehicles will run, and nobody in their right minds will pay the flat fee, when they only need pay the mileage charges as they go through.

What we propose is actually a tax graduated as to weight. Vehicles of 30,000 pounds, 40,000 pounds, 50,000 pounds or 60,000 pounds, all have a little different rate bracket, because they are computed on the basis of the tax in the State, and the mileage rate for each will come out a little differently. It is said a mileage tax is impractical at any rate, that is one thing you hear about the mileage tax, and that is certainly one of the objections to which I would not pay very much attention. A number of cases have been cited where the States had a ton-mile tax, and did away with it, because it was not effective --

BY MR. MacDONALD:

Q. Ontario, in 1928 --

A. I will tell you what happened. The railways in the early 1930's backed the imposition of special taxes on trucks with the result that a ton-mile tax was adopted practically over night in nine States in 1933.



There was no particular public demand for or approval of the tax and I think it is a fair statement that the programme was a lobby proposition.

In those days, in some States, the Highways Department would be designated to enforce the highway tax, because there was no other agency to handle it. Then the Public Utility Commission would get the job in another State. These agencies were not equipped for the job nor interested in it. The result was that nothing was done, and in a few years most of these taxes were repealed. At that time, we had none of the problems we have today, as far as volume, size of trucks, and so forth, are concerned nor had we the well organized State Tax departments we have today.

Today I think it is just not reasonable to suggest that the tax departments which have been developed since the 1930's cannot handle a tax of this sort. It is unreasonable, because it is being done both directly and indirectly.

In California, the diesel fuel tax is administered on a strictly user basis. In that State where a great number of diesel vehicles are used for highway purposes, you may buy diesel fuel, tax-free. The tax is imposed on the person who uses the fuel on the basis of its use within the State. The tax is administered





efficiently in California. These users are licensed, and make reports on a monthly basis as to use in the State and outside the State. They pay the tax on a self-assessment basis just as the sales tax is paid. Returns are checked up and audited. The procedure works most effectively. State officials use the same method they would use in enforcing an outright mileage tax, because the key to the whole enforcement process is mileage. If you do not have the mileage under control, you are lost. These officials can determine and check the mileage and they have been doing it for a number of years. There is no question about that.

This is in sharp contrast to the experience back in the early 1930's when the modern tax department was practically non-existent. The only taxes we had were the gasoline tax, property taxes, and a few income taxes plus a few tobacco taxes.

The great growth in taxation at the State level in the United States took place after 1932; most of it took place between 1932 and 1940 -- and this development caused to be organized tax departments which are used to dealing with large numbers of taxpayers and taxpayers' reports, particularly in the sales tax field.



So, from the standpoint of the ability of these agencies to control the payment of a tax such as a weight-distance tax, or a mileage tax, there is no question of their ability. In the States, they can do it. Such a tax costs more to administer, for instance than the income tax, but its cost still would be a reasonable figure. The cost per dollar of revenue would depend on the type of rate you have, whether it would be 2 mills, 3 mills, 4 mills, etc.

I think, myself, that in the long run, we will probably come to some type of a mileage basis of taxation for the heavy vehicles, even within a State. I think so, because everything which has happened in the last four or five years demonstrates the desirability of some form of tax which can be applied on a uniform basis, which has a relationship to the amount of wear and tear on the highways. The amount of wear and tear on the highways is a function of speed and size.

I might mention a few of the points which cause me to maintain this opinion, in spite of the fact that in many States the so-called "administrative question" has militated against its adoption, and also there has been strong opposition, for the reasons I have mentioned.

Let us take the matter of fuel tax as applied



to various kinds of fuels we have right now.

You have trucks of, say, 60,000 pounds gross weight -- that is, the weight of the vehicle with the load on it -- and vehicle "A" is gasoline-powered; vehicle "B" is powered with diesel fuel, and vehicle "C" is powered by one of the liquified petroleum gases.

In some States, the same rate of fuel tax will apply to all three of these vehicles. Now, bear in mind, that for these large vehicles, where you have nothing but registration fees and motor-fuel tax, the real important tax is the motor-fuel tax.

Gasoline gives about 60 per cent as much b.t.u.'s as diesel fuel. I have a reference here (indicating). I can show you some computation on that, but for the purposes of this point, let us say it is in that range. The gasoline-powered vehicle gets about four miles to the gallon, and the diesel-powered vehicle about six miles to the gallon.

If you tax both of those fuels at the same rate per gallon, the effective tax rate on diesel vehicles is lower than for the gasoline vehicle. This is just an accident in the motor-fuel tax structure. Some States say "We have to take cognizance of that, so we will impose a higher rate on diesel fuel than on gasoline." I think there are about a half a dozen which do so.





The tax on gasoline will be, for instance, five cents, and on diesel, it will be six cents, or seven cents.

On the other hand, liquified petroleum gas has lesser b.t.u.'s than gasoline.

I know of no State which allows a differential on the down side for liquified gas, so strictly speaking, a person who uses a vehicle powered by liquified petroleum gas is discriminated against, in favour of those who are using other fuels in vehicles of the same size and weight.

When you have a situation like that, the tax structure may influence the choice of vehicles more than the engineering and mechanical factors. I think that is not good.

If you have a serious discrimination in the tax system, you may force people to tend to become less efficient or to use less efficient machinery than otherwise would be the case.

That sort of problem is by-passed entirely if you use the sort of approach which the Committee of Tax Administrators has proposed, because while this tax rate is a component of all the highway-users' taxes in force, the mileage rate applies to all vehicles in the same weight class without regard for the type of motive power of the vehicle you are using.



The only two facts which will affect the amount of tax you pay under this scheme, are the weight of your vehicle and the distance you travel in the State. Therefore, if you have this rate worked out properly, the person who has an oil-powered vehicle, and the person who has a liquified petroleum gas powered vehicle, and one who has a gasoline-powered vehicle, each weighing, say, 60,000 pounds, will pay the same mileage rate. These differences in efficiency are factors which the motor manufacturers work out in their own way on a competitive basis because we have removed from the picture the tendency to let taxes dictate the choice of vehicles, as opposed to engineering considerations. Who knows what kind of vehicles we will have ten years from now? We may have vehicles using fuels which cannot be taxed as at present, namely, on a gallonage basis. These changes may come about, yet they will have no serious effect on the operation of the plan I have just described.

The only factors which can change the tax to be paid under that plan are variations in the loads you carry, and the distance you carry them.

So I think, in view of the technical developments in prospect, some sort of a unified mileage tax on these vehicles will eventually come to pass.

I have no doubt it can be administered, if it



does come. In fact, these taxes or substantially similar taxes are administered now in various States.

I would like to make a point here about this pro-ration plan now being tried out in the west. It is a considerable improvement from the standpoint of equity over what we had in the past. Yet, in order to pro-rate these vehicle fees, it is necessary to figure up and work out a distribution among the States for all these vehicles on a mileage basis. It is recognized that mileage is just as good a method of apportionment as anything else. As for the gasoline tax and the diesel-fuel tax, they are being enforced gradually in many States on a basis which is essentially a mileage basis. of tax. The trucker has to "tote" up the monthly or quarterly mileage in the State, and his mileage in all States, and the amount of fuel bought tax in and out of the State and if there is a fuel tax deficiency on a mileage basis he must pay a tax on the difference. So you have your mileage computation used a second time.

If you are a common carrier and operate in the State of California, for example, you have a third mileage computation namely that with respect to the gross receipts tax which applies only to common carriers. This tax is also apportioned on a mileage basis -- the total gross receipts are divided in proportion to mileage





in the State, and the mileage outside the State, and that apportionment is the basis for the application of the California tax rate of 3 per cent, I think it is.

So there you have three separate bases of taxation, one, the weight fee, another, the fuel tax, and a third the gross-receipts tax, and each of these taxes are actually apportioned to the State on a mileage basis with three separate computations. We suggested that you can do the same thing much more simply and effectively by having one overall tax rate applicable to that type of vehicle, strictly on a mileage basis, and this would require only one computation of the mileage liable to tax.

It seems strange to me that the folks in the trucking industry urge the desirability of apportioning fuel and weight fees on a mileage basis and they concede you can enforce these taxes very, very well on a mileage basis, yet they turn around and say as to the enforcement of a pure mileage tax or a weight-distance tax, that it is impossible; it cannot be done. The two are the same thing. There is no getting around it. The procedure for both depend on a determination of the mileage. When you have that under control, there is no further serious difficulty about enforcement.

There is one point I should have mentioned





before. I said that the trucking industry opposes mileage taxes because once they are set up, they are easy to change, and one group or other might urge the Legislature to change them.

A second point of objection which appears perhaps to have more substance than the former, is the following: conceding that a mileage tax can be enforced in regard to all large trucking firms, how about enforcement as to the fellow who has only one or two or a few trucks? I think the answer is that the problem is analogous to dealing with a small retailer in connection with the sales tax. It is more difficult and expensive but small trucking firms like small retailers, can be policed. They have to travel to make money and they have to buy gasoline, and they collect freights and these items can be checked and even though it is more expensive to deal with them individually, they can be dealt with.

I think the experience from the enforcement of types of taxes indicates that evasion can be held to a minimum. Where owners of a few trucks lease their vehicles to common carriers, I think the responsibility for accounting for taxes should rest on the holder of the common-carrier certificates. Whatever arrangement lessor and lessee may make with each other, should not, I think, make any difference to the State. The State



should look to the certificate holder for payment of taxes and let it go at that.

There is one comment I would like to make about the gross-receipts tax which may seem to you to be easier to police than the weight-distance tax. Although that may be true, I think you have to discard the gross-receipts tax for the reason that if you have one, you may seriously interfere with the economic position of some segments of the motor transportation industry. I think you have a good example of this effect in California. Now the gross-receipts tax can only apply to somebody who has receipts and in the trucking business this means the tax can only apply to common or contract carriers. In California, I think it is the case that a great deal of hauling is done by private carriers, such as large grocery chains, or large petroleum companies, which own their own vehicles. Simply, it is cheaper to operate in that way than to hire carriers who are subject to a gross-receipts tax. If you inject such a tax into a competitive situation and the rate was something like 3 per cent, it would not take shippers long to realize that, and instead of using common carriers, they should operate their own private trucks.

Thus while you may be able to establish gross receipts from a number of sources and thus simplify your



administrative problems, you would nevertheless be subject to the defect that the tax can apply only to common or contract carriers and not to private carriers.

I think it would be probably better in the long run to treat all carriers in the same way, under some tax system that is a uniform system. That is sort of a preamble, I feel --

MR. AULD: A very good preamble.

MR. MacDONALD: The best preamble we have had for some time.

THE CHAIRMAN: Let us take a recess for five minutes. Mr. Conlon has been speaking steadily for quite a little while.

---Whereupon a short recess was had.

---Upon resuming.

THE CHAIRMAN: Gentlemen, let us resume. Are there any questions any members of the Committee would like to ask of Mr. Conlon?

MR. MacDONALD: There is one question I would like to ask, arising from what Mr. Conlon has said here. We have sort of "muddled through", and we came to the same conclusion as he has, that the sooner we get away from the mileage tax, the greater the possibility of equity.





BY MR. MacDONALD:

Q. At some point in your exposition, you said we are coming to it, sort of inevitably. What are the steps by which we can get to it? Since we have no third-structure tax here, have you any suggestion as to how we can avoid them, without going through all these experimental steps.

A. I think we have problems in the States you may not have here, which are really the genesis of our difficulty, and that is these interstate movements of large fleets of vehicles.

For years, truckers were domiciling their fleets of vehicles in a State, paying the registration fee, but using that fleet in many States other than the one in which it was registered and domiciled -- perhaps up to 90 per cent of such use in some cases was in other States.

These other developments of which I spoke are making it more and more difficult to do anything like that. There is a movement well under way to secure some sort of commensurate payment made to the place where the usage takes place, simply because unlimited reciprocity which has been a sore point with a number of States.

However, there are some officials who still say that the latter policy will work out satisfactorily



in the long run; that interstate travel and registration will even out and that may also go along with the gasoline tax on the basis that maybe interstate trucks will buy as much here as at home, it will work out. But those States are becoming fewer every year. The movement is all the other way, that is, to collect a payment commensurate with the use in the State. So these States have worked out, to do this, (1) the collection of motor fuel tax on the basis of usage; (2) proportional registration of fleets and (3) in some cases an additional tax based on gross receipts, or some sort of a mileage tax.

In answer to your question, it seems to me in the States where there are several taxes which are apportioned on a mileage basis, that inevitably those taxes will be combined into one tax which will be on a mileage basis.

I am not saying that will be true as to travel within the State, for it is the interstate travel of trucks which is causing the most difficulty. Most concern seems to be centered on the inequities which have appeared in relation to vehicles going from one State into another; in other words, those which have their commercial domicile and garage and fuel facilities in one State, but which do a great deal of



travelling in other States.

That is the situation which has caused most of our difficulty.

That is not <sup>to</sup> say there are not corresponding problems relating to equity within the State itself. Let us say that six per cent of the vehicles in the 50,000-pound class are used only for local deliveries. Of necessity, their annual mileage will be comparatively small. You may have another 30 per cent of the same class of vehicles registered in your State which are used in some sort of a over-the-road private delivery service, which may run from one end of the State to the other. It is likely that their mileage is fairly high.

To the extent that the locally used and over-the-road-vehicles of the same weight class pay the same flat fee covering all operations in the State, you have the same inequity. This is not merely a theoretical point. The inequity is actual, but it has not drawn the attention which the interstate problem has and therefore, I would be loath to predict that you will see the mileage tax appear as the sole method of taxation for trucks operating intrastate, although I think that as to interstate operations, we are coming to that sort of thing.



BY MR. AULD:

Q. What about the varying types of fuel? I would think that would bring the mileage basis of taxation in place, because we are fast approaching, if not already reached -- the difficulty in enforcing the fuel tax at the present time, because perhaps gasoline is mostly used in vehicles, and if you deduct it at the vendors, the people who do not use that for motor vehicles receive a refund, but you get into diesel fuel or fuel suitable for diesels, which is 80 per cent -

A. Much more than that.

Q. -- while the liquified petroleum gases have an even higher percentage, and goodness knows in the next few years what your difficulty will be in enforcing the fuel tax, when you get into these fuels which are used primarily for other purposes, and which can create an expensive administrative problem.

A. The answer is really that fuel taxes will be collected primarily on the basis of sales wherever feasible. To the extent that they are enforced on the basis of usage, the same administrative machinery in force at present will have to be utilized. Remember, though, when we talk of a use basis as applied to heavy interstate vehicles, we are dealing with a relatively





small percentage of all vehicles.

Q. I do not know the practice in the States as between private and public carriers. In this province, we have vehicles which we call "public commercial vehicles" which are subject to an additional registration fee, which is quite high, and I suppose it could be argued that a majority of the private carriers which do not pay that, are being penalized because perhaps they do not drive the mileages per year which the public carriers do, but they pay the same registration fee.

A. Is that a highway-user tax?

MR. CHILD: A P.C.V.

MR. AULD: It is a highway-user tax, but it is not based on mileage. It is based on the type of vehicle --

MR. COOKE: It is steeply graded.

BY MR. AULD:

Q. I was wondering whether a similar situation existed in many of the States where they have licenses as public carriers, which pay a fairly high fee?

A. Put it this way; public carriers may be charged a higher registration fee than private carriers, and they are in some States. You also have the situation such as I have outlined, in California, where what you



call a "public carrier" or a "common carrier" or a "contract carrier" must pay 3 per cent of its gross receipts, whereas a private carrier is not subject to this type of tax.

BY MR. CHILD:

Q. How do you collect the difference in the gasoline tax?

A. It has to be essentially on a mileage basis using a monthly or quarterly report. In other words, let us say that in Ontario here, you decided you would like to impose some sort of a differential tax on heavier vehicles (similar to that in Kentucky or Virginia) in order to equalize the payments they are making now, compared to smaller trucks or passenger cars. I believe you said the tax was 11 cents per gallon?

Q. Yes.

A. You would provide that trucks of, say, over 30,000 pounds gross weight would pay a gasoline tax of 13 cents, or 14 cents, or 15 cents, or whatever figure you choose.

The only way you can enforce that sensibly it seems to me, is to say that every truck of that class must be registered as one of the vehicles subject to the special tax, and once a month or quarterly, it must make a report showing the number of miles it has



travelled in Ontario, and the amount of fuel it has bought in Ontario during that time, and then the amount of fuel which has been consumed to your travel in Ontario would be taxed an additional 2 cents or 3 cents, or whatever you want charged against it, and that amount of tax would be remitted to the administering officer.

In the two instances, where this type of law is in force in the United States, the law provides you must pay the tax on all fuel used by trucks over a certain weight in that State, without regard to the place of purchase. The regular tax is 7 cents and the additional tax on gasoline used in trucks is 2 cents.

If you use the vehicle 10,000 miles, you must pay a gasoline tax on the fuel you use to go that 10,000 miles. You may pay the regular tax simply by buying tax paid fuel. The 2 cents extra must be paid separately.

These States require a report of your mileage both within the State and without the State, and on the basis of total travel and total fuel purchases, a figure is derived which represents the amount of fuel used in that State.

Let us say it is 200 gallons. That is a small amount, but we will use it for this purpose. The amount of fuel you have bought within the State, tax paid, may be offset against the 200 gallons for





the purpose of computing the basic 7-cent tax. So if you have bought, let us say, 100 gallons, and paid a 7-cent tax which is included in the price, you take credit for it. In this case your actual tax payment with the return would be 100 times .07 for the basic tax and 200 times .02 for the special truck fuel tax.

You could impose a differential tax and still continue with your present system of collecting the basic tax, if you are satisfied, as some States are, that there is no point in going to a use basis. It may be that actually you will come out fairly well on a sales basis, because trucks travelling in and out of the province will buy fuel here, which is roughly commensurate to their use. If so, you need only apply the differential. This must be done on a return basis. In order to administer the special tax, there is only one figure you have to determine, and which you really check, and upon which everything depends, and that is mileage.

BY MR. MacDONALD:

Q. How can you get all those measurements? Is there some sort of a gadget, or do you accept the speedometer reading reports?

A. You have to make checks. You have to have some field auditing people. This is not, I think, a



a tax which can be effectively enforced solely on an office audit basis. You have to check speedometer and other readings, and trip sheets, and gasoline purchases, and the like. You have to do that once in a while to make sure there are no discrepancies. It is not fool-proof.

Q. There are one or two questions there I was going to ask, but I sort of became lost in the shuffle.

You said you would not want to hazard a guess about your tax intrastate, because there is a continuing inequity, and if you remove this flat rate, and put it on a mileage basis, will you get equity then?

A. Sure. This is the old question of "how big is the stone in your shoe, before you begin to howl."

The question was first raised in regard to interstate traffic, where there was a great deal of travel, yet truckers were not paying anything commensurate with that travel. The people in the State said, "Let us get something out of this traffic".

When you take the interstate travel out of the picture, and consider situations within the State only, the inequities are those which exist between the various classes of heavy vehicles. Thus far, it has been, I think, the policy of the trucking industry to subdue, within its own organization, any "squawks"



relating to inequities which existed within a class.

BY MR. CHILD:

Q. Do I understand from that statement that, generally speaking, the over-all revenue derived from the trucking industry from all types is paying its share, and the inequities lie in the industry itself?

A. I do not think I would say that "generally". In some States, on the basis of their studies, that may be the case. These studies may show, for example, that passenger cars and most of the trucks are paying more than they should. There may be complaint about that situation, and the legislatures could alleviate it by simply raising some of the truck fees a little bit, possibly by \$5.00 or \$10.00 or \$25.00 a vehicle. However, nothing you do along that line will alleviate any inequities which may inhere in the relationship of tax payment and travel among the various elements of the trucking industry.

Q. For a Committee of our type, that would not be a particular problem?

A. As a matter of fact, it all depends on the particular situation in each State or province. There may be shocking inequities when you really look into the situation or it might be that the taxes and fees are fairly allocated.





Q. Was there any difference in your studies of inequities between a 10,000-pound truck and a 60,000-pound truck, in the United States?

A. Oh, sure. For this reason: within a given State, the registration or weight fee which applies to both these trucks is the same. The flat fee is an important element of total highway user tax payments. The vehicle which travels 10,000 miles is paying proportionally ten times as much as the one going 100,000 miles, as far as the flat fee is concerned.

Q. I am assuming that two trucks travel 50,000 miles each.

A. As far as the flat fee is concerned, the only inequity arises among these various elements in the trucking industry is attributable to differences in mileage. A particular truck may be used in a certain service -- that is, a heavy truck -- where its mileage is relatively low as against those which travel a great many miles. If the same flat fee is applicable to both of them, then on a mileage basis one pays relatively more than the other.

BY MR. AULD:

Q. I do not think you are speaking of the same thing. If you are speaking, as Mr. Child was, of a vehicle of 10,000 pounds, and one of 60,000 pounds -- he





was talking about miles in the 10,000-pound and 60,000-pound classes.

BY MR. CHILD:

Q. These two trucks of 10,000 pounds and 60,000 pounds each travel 50,000 miles.

A. I'm sorry. I misunderstood the question. Sure. There will be a difference in the rate they pay. I thought you meant two 50,000-pound trucks, one travelling 10,000 miles and the other 50,000 miles and they both pay the same flat fee of \$536.00.

Inasmuch as the flat fee is an important element of the total highway-user tax payments on a mileage basis, the fellow who is only going 10,000 miles is paying a much higher mileage rate than the one going 50,000 miles. That is the sort of inequity which is inherent in many elements in the trucking industry. They do not seem to "squawk" about it very much.

BY THE CHAIRMAN:

Q. That is what we find so amazing. The Automotive Transport Association appeared, ostensibly representing all truckers in --

MR. MacDONALD: The witness has put his finger on it, because down there, looking at the intra-state inequities, they have squelched the practice which might emerge in their own industry. I think



the same thing applies here. When we questioned Mr. Goodman about the light and heavy trucks, he sort of "sloughed" it off.

MR. ROOT: I do not think that is a fair statement, because I am a small trucker, and nobody has ever "squelched" me, and I cannot be "squelched".

I think your statement is not based on any facts, Mr. MacDonald. We are not "squelched" by any inequities. I pointed out in the House that the farm-owned trucks have inequities, but the thing I want to find out is this, Mr. Conlon; in your studies, you are speaking of a 50,000-pound truck going 10,000 miles, and another going 50,000 miles.

Do you find in the trucking business that people with trucks of that type travel 100,000 miles or, if they have to, do they not buy a smaller truck?

THE WITNESS: There are figures of the incidence of truck travel in some State studies. They have these truck categories divided into a use basis, and I know there are significant differences between those used locally and those used in over-the-road service.

I do not know the figures offhand, but I can refer you to some traffic counts and studies of average mileages.



BY MR. ROOT:

Q. I think that would be helpful, because we were told by another gentleman here that in common sense and economy, no trucker will buy a high-priced vehicle and drive it a small mileage, and leave it sitting in a garage the rest of the time. He will buy a lighter vehicle.

A. Just consider the city of Toronto -- and I know this happens in the city of Chicago; you can take a good-sized vehicle and use it around the city, hauling good-sized loads, and use it a good many hours, and yet not run it many miles, whereas, if you take it out onto the highway and use it for the same number of hours, the mileage will be substantially higher, because in the city traffic service, the traffic moves slowly, and they stop and start quite a bit.

It depends altogether on the use to which it is put.

There is another point about using a smaller truck; you may secure a more efficient operation, but I do not think any city trucker, where he has to have two drivers, will be much ahead. There are figures which show that some of them travel much less distances than others.

The Interstate Commerce Commission, which





regulates interstate common carriers in the United States, publishes figures showing the mileages of Class I common carriers reporting to it and the difference in mileages in certain regions of the country are very large.

I think I have some figures here. I will pull them out and give them to you, to give you an idea, showing that on the Pacific Coast, the average is around 85,000 miles, and in the eastern part of the United States, the average is down to 45,000 or 50,000 miles. That is the average mileage of the common carriers in these two geographic regions. It is quite a difference.

BY MR. ROOT:

Q. In this area -- take the province of Ontario and northern New York -- in this given area, do you find the certain weight of trucks follow a general mileage pattern?

A. That is what we were told. I am not saying whether it is right or wrong. The suggestion was made that by adjusting the license fee, you could work it into a weight-mile tax.

Q. The suggestion was also made that a certain weight of trucks in one province, would drive in that mileage bracket. It would not be 100 per cent equity.



However, I do not think you would ever get 100 per cent equity. I can see where there would be a difference between the New York area and the western area.

A. I would be inclined, from what I have seen of it, to agree that if you distinguished between private carriers and common carriers, you would get a rough division of mileages, according to weight, provided that you did not have some feature in your tax system which would tend to favor one against the other -- for example, the California gross-receipts tax.

MR. COOKE: I have seen a number of these highway finance reports put out by various States, where they carried out a series of tests. A large number were prepared by Doctor Nelson.

I have also seen a report prepared by the Oregon Highway Department some years ago, and I remember the statement that there was definite co-relation between gross-weight and mileage; the larger the gross weight, the greater the mileage.

It was found from studies of the mileage tables, that the various States -- Illinois and some others -- gave certain figures. I have them all in my office. I agree there is a difference between the average mileage as between common carriers and private carriers, but, Mr. Conlon, would you not agree



that, speaking generally, the greater the gross weight, the greater the mileage?

THE WITNESS: I would. But when you speak generally, you are dealing with averages, and individual deviations in all averages may be considerable, from high to low.

MR. GATHERCOLE: I was going to raise this particular question. From the exposition given by Mr. Conlon, it is quite evident that the problem in the United States is different from ours, because, generally, the American States are considerably smaller in area than Ontario, and, therefore, their focus has been upon trying to resolve this problem in regard to interstate commerce, and get their proportionate share of the revenue.

Their problem, as I conceive it, is two-fold. One is to achieve a greater equity, and at the same time, increase their revenue. The State can also look at it from the standpoint of trying to assess the use they make of the highways, from these two standpoints, and some of them have.

Some days ago, I mentioned the State of Oregon, where the consideration of adopting a form of taxation on trucks was to achieve a special third-structure tax, and adopting that to trucks was to achieve





a greater equity, and, at the same time, secure additional revenue. It is not just equity in itself.

You can have a schedule of motor-vehicle licenses which might be perfectly satisfactory on smaller trucks -- leaving passenger cars aside entirely -- but which would not be applicable upon the larger trucks, particularly where the variations between mileage driven and the weights carried might be very marked.

I think that is the basic problem in Ontario, and I think it is a problem in many of the States of the United States, in trying to arrive at some motor-vehicle registration fee, which secures, not only equity, but additional revenue.

I think that is the problem with which you have to contend.

THE CHAIRMAN: We have reached this point; if we can determine equitable services, if we need more revenue, we can raise the gasoline tax on the small vehicles, and raise the truck-license fees. If you require more revenue, you raise everybody, so it all goes up at once.

The difficulty is, if we raise the gasoline tax, it goes up that much (indicating), while we want it to go up that much (indicating).

THE WITNESS: But you will always run into





that situation, which you would escape, if the gasoline tax -- the major component -- was raised all the way across the board. It would have a greater effect on passenger cars than on the heavier vehicles. I do not think that will have to be explained to you. If it is equitable now, and you raise the gasoline tax, in regard to all these different categories of vehicles, you will have changed the situation.

BY THE CHAIRMAN:

Q. It may be necessary to raise the gasoline tax and the registration fee, and the mill rate at the same time.

A. If you want to raise it proportionately, you must make an allocation amongst them all. That is what Congress did, for reasons best known to itself. They raised the gasoline tax, and a great bulk of that was to be paid by the passenger cars.

So Congress said, "We will have to secure a heavier contribution from the trucks." It may be true that the method they chose was not the right way, but the idea was there.

If you deal with the gasoline tax across the board to get a major increase in revenue, then you have to change something else, if you want to secure an equitable contribution all across the board on the



basis of weight and mileage use of the highways.

Congress is to see how this flat-rate tax affects trucks in the various categories, and tax them without any regard for the mileages. So, insofar as one goes 30,000 miles, and another goes 100,000 miles, one fellow is paying a much heavier tax than the other, and I think that those in the low-mileage category have a "squawk". Whether they will "squawk" now or not, I do not know. I think not.

BY MR. CHILD:

Q. Are you suggesting the low ones are paying too much, and the high ones are not paying enough?

A. I do not know. As far as the Congressional action is concerned, I am not prepared to give an opinion. It may be that none of them are paying enough.

If you think that mileage has something to do with the basis upon which you should pay tax, I think it is clear, in this new Federal highway weight tax, that anybody who travels an average of 30,000 miles with his fleet, is liable to get a bigger "jolt" than somebody who is travelling 100,000 miles.

BY MR. AULD:

Q. Further to what Mr. Child said, and what you mentioned this morning about the gasoline tax levelling off after you reach the 26,000-pound mark:



it seems to me, in the figures which are there in the table, as far as the gasoline tax alone is concerned, when you get into the heavy-truck bracket, a fellow may be carrying six times as much weight, but only using twice as much gasoline.

Obviously, he has that advantage with the very heavy trucks over the medium-weight trucks.

A. The difference is not on the order you mentioned, but it is substantial.

BY MR. MacDONALD:

Q. May I ask a general question? If we care to remove equity, in so far as possible, to get on to the mileage basis, both for intrastate and interstate transportation, what are the essential requirements for the construction of a mileage tax? You explained how you would arrive at the mileage, and that you would have auditors to check. Are there any other essential requirements for administering it?

A. No, I think not. You have a licensing system, and self-assessed returns, backed up by field audits.

You must remember that when you are talking about this mileage basis, a relatively small number of vehicles is involved, because I see no point whatsoever in going on to a strict mileage basis for passenger cars





and light trucks.

Q. Fifteen years from now, some will be using atomic power, and some will be using diesel, and some will be using gasoline.

THE CHAIRMAN: Turning back again to the fuel, we have taxies in Toronto -- how much do they get on a gallon of gasoline? Is it 45 miles?

MR. CHILD: They are operating for \$1.00 per shift -- \$3.00 per day.

THE CHAIRMAN: That is here; that is not just developing; it is here.

THE WITNESS: Except where fuel is sold in dispensable quantities, in my opinion you can still tax the user on a sales basis.

The principle to bear in mind is that, by and large, diesel and liquified petroleum gases are continuing to be considered as a source of power.

I knew there was some introduced here in Canada, but I did not know they were running any taxies here. Down south, there are some butane-powered automobiles, but they are very few. There really is no great problem there.

For passenger cars, the use of gasoline is about proportional to the weight of the vehicle, so they are paying a tax which is essentially a mileage



tax right now, except you do not have to go through the ordinary trouble of contacting each one of them to secure the mileage tax. You collect it through the oil companies.

BY MR. MacDONALD:

Q. The answer is that we hope in time we will have some mechanical gadget which will remove the uncertainty?

A. I doubt if you will ever require some measuring type of gadget. But as long as these passenger vehicles use the same sort of fuel, and it is dispensed in measurable quantities, I think you can substitute some sort of collection at the source for what is now done through gasoline tax payments, collected from the oil companies.

I do not believe there will be a time when you will have a great many vehicles operating on gasoline, diesel fuel, liquified petroleum gas or even something you take out of a chocolate box, all at the same time.

The motor industry is a mass-production industry, and in a few years you will have a complete turn-over, and if there is a revolution in fuels, most vehicles will be running on the same sort of fuel within a few years.



BY MR. GATHERCOLE:

Q. Do you know of any State which is using some sort of a meter or speedometer on trucks?

The other factor would be the weight. If you could start by securing a reasonably measured mileage, at which these trucks were operating, I think that would be only a step in the direction, because everything turns on the working out of some sort of an administrative system.

A. I do not think there is anything built somebody cannot "jiggle". There are these hubmeters on automobiles -- "odometers"; is that the name? -- which can be utilized.

Many people who own trucks have a gadget in the cab which is a recording clock, and it shows when the vehicle is in motion, and when it shifts, and slows down. Some employers have those, and they have been used on police department vehicles, and they are good adjuncts to the tax administrators now.

The States in the mileage tax field using the self-assessed basis, can check on the accuracy of reports to them by checking on reports which the carrier must make to other authority.

In the case of Oregon, they also have check points around the State, where vehicles are stopped.



The checker fills out a little card, and sends it to the Public Utilities Commission, and these are kept for future audit purposes.

When their agents are making an audit, they check a number of these cards to see if that trip was included in the manifest. From the trucker's standpoint, it is true that in order to know what you are doing, you have to maintain some fairly decent records.

Our men have spoken with big truckers, who want no part of the ton-mile tax, for instance in Ohio.

You hear the criticism that this sort of tax -- the weight-mileage tax -- requires the operator to keep a number of extra records for which the drivers must jot down certain information on little chits. It is said that record-keeping requires the full time of one or more persons -- these are the big operators -- to maintain the information required, and to make out the reports, and to maintain the records in order to give the information they are required to give to the Ohio Tax Commission. One trucker said that this cost him probably \$5,000 a year. However, he said his gross revenue is \$1,500,000, and the \$5,000 is inconsequential. He said he did not like this tax, because it cost him a lot of money, but was frank to admit that the little bit of money it cost him to keep the records





is not of any moment.

He could get the records and make the necessary excerpts, and file the reports at a very low cost.

BY MR. AULD:

Q. Would it not mean that the record required for a ton-mile tax would not be any more onerous than this problem of reciprocity, where in one State you are paying extra for fuel, and in another State you pay something else?

A. Mileage determination does not require any more onerous records for one purpose than it does for another. All the expedients which have been used, on the one hand, to collect revenue commensurate with highway use, and the mileage tax, as such, on the other hand, involve the same thing, that is, a determination of the mileage.

In enforcing that tax, there is one thing you must make sure you can check for accuracy, and that is mileage.

Q. If you are a public carrier, and have to keep track of the mileage, in order to bill your customers properly, and if you are a private carrier, you have to keep track of your mileage to see what it is costing you.



A. As with all businesses, if you do not keep records, you are not in it very long.

BY MR. CHILD:

Q. Has any system found the extent of the inequities large enough to worry about an internal problem, rather than interstate?

A. Oh, sure. Oregon originally enacted the weight-distance tax as a means of obtaining equity among all highway users in the State, and there is a big controversy in the States of Kansas, Nebraska, Minnesota and North Dakota. There is a sort of agitation for the use of the mileage tax.

Q. Are they worrying about equity, or additional revenue?

A. Probably both.

BY THE CHAIRMAN:

Q. It seems to me that whatever method of accounting you use, you will get a variation in the mileages, be it this year or five years from now.

A. Yes. But we are dealing really with a very small proportion of all the vehicles.

Q. If we accept your basic assumption that, by and large, the gasoline tax as applied to the passenger cars and light trucks is as fair a mileage basis as you will get, I swear that once this Committee



winds up its work, I will never use the word "equitable" again in my life.

If we accept that assumption, then it seems to me we are being forced into a mileage basis, but to do it with a differential gasoline tax, appears to be only postponing the evil moment, or "sugaring the pill" and you will have to change that in due course.

It certainly does not take into effect your differences in fuel which are distributed as rapidly as passenger cars. The gasoline tax will not assist you in that situation. It will only get worse, as I see it.

A. You really have to have three vehicle taxes. Do you use liquified petroleum gas here?

BY MR. CHILD:

Q. What State, in your opinion, do you think has the most equitable tax structure, in regard to the over-all picture of cars, trucks and light vehicles?

A. I suppose either New York or Oregon. Let us put it this way; that insofar as they have attempted to carry out these things -- on second thought, I will say "Oregon", because in New York the State has not attempted to collect the gasoline tax on fuel used in





New York, but bought in another State, so they are loath to adopt in New York something which might affect the total tax liabilities of various classes of truck owners. That is not the case in Oregon.

As far as an attempt has been made to sort out the various factors and make allowance for them, I would say that Oregon has been most logical and consistent in its attempt. Maybe their rates are too high or too low. I don't know. But the approach on a total basis in Oregon is a logical one.

Q. If any other jurisdiction charged rates comparable to Oregon, that would be as close to having an equitable system as is available at the present time?

A. I do not know of any other jurisdiction like Oregon, where the tax is worked out and applied in the same way.

Q. But, if there was?

A. I would class them with Oregon.

BY THE CHAIRMAN:

Q. If you had all these other factors, including rates, the number of ports of entry, weighing stations, and so forth, you are lumping together a tremendous number of factors, and drawing a large conclusion. You are getting out on theoretical matters, Mr. Child.



MR. CHILD: I say, "if any trucks in any jurisdiction travel the same distance, carrying the same weight, and paying the same tax in a given year, it would be a good comparison."

THE CHAIRMAN: You have not considered the real basis of requirements, which is the need for expenditures of money on highways in this jurisdiction. You say these are roads we need, Mr. Child, and we need these highways, and therefore, we must collect the revenue.

MR. CHILD: No, I am speaking of equity now. When we speak of "equity", we are not particularly speaking of revenue; we are speaking about all the people paying a good share of the tax dollar. If that applied to any jurisdiction, percentage-wise --

THE WITNESS: Oh, I see what you mean, but it would not necessarily follow, for this reason. The topography of a jurisdiction means a great deal, and if you use the incremental approach, as they did in Oregon, and assuming there is some difference, which exists between the topography in Oregon, and your selected State, it might be such as to throw askew these relationships which held good in Oregon. For example, if you had many hills, it might be necessary



to make three or four-laned roads for use by trucks, and under such circumstances, trucks would be charged a heavier share of the total highway user allocation than in a State where the terrain is comparatively level.

BY MR. CHILD:

Q. To be quite honest, I was comparing Oregon with Ontario.

MR. COOKE: This is another factor which has to be taken into account, and which would throw this whole thing out. In Oregon, the gasoline tax brings 60 per cent of the revenue, and here it is 75 per cent. But the rate extends to the gasoline tax, as compared with the flat fees, and if these are not the same -- leaving aside these figures of incremental costs -- the comparisons are of no value.

THE WITNESS: It has to come out of what the vehicle pays. If your vehicle paid to you the same percentage --

MR. COOKE: I thought Mr. Child was comparing it with the mileage rate.

MR. CHILD: We have heard so much about "inequity", I thought there must be a Utopia, with which to compare it.

THE CHAIRMAN: You are looking for an easy solution to a difficult problem.



MR. GATHERCOLE: The only comment I would like to make in relation to what Mr. Conlon said in his early outline is that if you have an equitable system, the government can obtain more revenue than on an incremental system.

I think in all discussions, there is not only consideration of "equity", but a consideration of "revenues" as a whole, and that is why they are exploring this.

MR. MacDONALD: Is that not true for another reason? If the system is inequitable, the public will not accept it. So you must prove it is equitable before you can raise your rate.

MR. GATHERCOLE: You have to come back to this problem of administration. How will you get around it?

In regard to our consumption of water and electric power, they supply meters -- many of them do, anyway -- and I was wondering if Mr. Conlon could say a word on whether they have developed a similar device --

THE WITNESS: The answer is "No". There are some devices, but if somebody wants to "jiggle" them, they can.

MR. MacDONALD: I think there is one point



1871. 1872. 1873. 1874. 1875. 1876. 1877. 1878. 1879. 1880.

1871. 1872. 1873. 1874. 1875. 1876. 1877. 1878. 1879. 1880.

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1871. 1872. 1873. 1874. 1875. 1876. 1877. 1878. 1879. 1880.

worth emphasizing, and that is the general reaction. For instance, Mr. Clarke's statement that if we did not have something mechanically perfect, heaven forbid making this calculation. Mr. Conlon's statement is different. He said you have to have a check and audit to catch up with a relatively small amount of evasion.

THE WITNESS: Tax departments can administer the retail sales tax and they can administer these taxes on vehicles.

Here is an extract from a pamphlet entitled "Taxation of Interstate Trucks", prepared and published by the American Trucking Associations, Inc., in June, 1954. This says:

"An equitable distribution of fuel tax payments would be obtained by the application of 'fuel-use' laws requiring interstate trucks to pay fuel taxes to each state commensurate with mileage operated in the state."

That is, the collection of the gasoline tax on a user basis.

Over here (indicating) they suggest how that can be done, and they give the studies of several States, including Virginia, which, they suggest, is a very good way of doing this. It is practical; it



is equitable; it is feasible.

On page 13, we find:

"With respect to fuel taxes, American Trucking Associations, Inc., has taken the following position: 'We desire that each state shall receive its equitable proportion of fuel taxes paid by operators of trucks and that is the equitable portion to be allocated shall be computed on the basis of miles operated in the state as compared to total miles operated; that fraction to be applied to total fuel used in propelling vehicles on the highway.'

More than thirty states already have taken action in that direction.

A score of states have attempted to achieve the desired result by placing limits on the number of gallons of fuel a truck may have in its tank upon entering the state. (See Appendix B). However, this so-called 'stick-the-tank' method has not been very practical or satisfactory.

The method we recommend -- a statute requiring truck operators to report and pay fuel taxes commensurate with mileage operated in the state -- has proved to be far superior.



Such statutes have already been adopted and are being administered in eight states. One state has a statute effective July 1, 1954, and in two additional states there is fuel-use tax legislation that can be applied to vehicles operating from states applying that type of taxation."

With slight modifications, you can use the same approach for any mileage tax there is, but actually, the proposal is that you can collect a fuel tax on a mileage basis without any difficulty, but it would be impractical or next to impossible, or unduly expensive to collect any other sort of a mileage tax on this self-assessed basis. That is just a "lot of malarkey".'

In regard to the determination of the mileage; you can do it the right way, utilizing auditors, field clerks, etc., or you can do it in another way, that is, you can sit down in your office and take what they send you. Some States tried the latter procedure with diesel fuel, but they found they were not collecting anything. If you do not have field auditors out, you will not achieve satisfactory results.

That is why, in some States, special fuels are taxed on the basis of sales, even though there is





very little on this fuel.

BY MR. CHILD:

Q. How do they stop evasions? We are finding they are using high-grade fuel oil in diesel engines, and not paying any tax at all.

A. Just have an audit, which will determine the mileage these trucks operate, and then check the returns they make to you.

In Ontario, I take it, diesel oil is paid on a use-basis, and the operator is supposed to remit a report on a monthly basis.

Q. But the trouble is he does not sell diesel oil just for diesel trucks.

A. Do you not collect it from the users here?

MR. GATHERCOLE: No, from the dealers.

BY MR. CHILD:

Q. These big trucks go into a service station, and the operator says, "I will give you all my business, provided you do not report all the gas I buy". So he does not get a bill for diesel oil. So the service station operator either has the business, and does not report it --

THE CHAIRMAN: We have an income tax system, and each one of us is a collector for the Department of Internal Revenue. I think they collect the tax,

THE UNIVERSITY OF CHICAGO

CHICAGO, ILL.

DEAR MR. [Name obscured]

I have just received your letter of the 10th inst.

and am glad to hear that you are well.

I am writing you to let you know that

the book you ordered has been sent.

I am sure you will find it of interest.

I am, dear sir, very respectfully,

Yours very truly,

[Name obscured]

[Address obscured]

[Address obscured]

[Address obscured]

[Address obscured]

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[Address obscured]

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because there is a system of auditing which is such that you do not do as much "chiseling".

MR. CHILD: I do as much as I can.

THE CHAIRMAN: He knows the axe will fall sooner or later.

MR. CHILD: I know it has happened.

THE WITNESS: Sure. You do one of two things about it; either you say that anybody who sells diesel fuel, and retails diesel fuel for highway use shall collect a tax on every gallon sold, or you go to the user basis, and collect the tax directly from the users.

The latter can be done, and has been done very effectively in the State of California, on a mileage basis.

In the Commonwealth of Virginia, the other system is used. They say, "We do not want to bother with the users; we will require the major oil companies to collect the tax on every gallon of fuel they sell to retail dealers with dispensing equipment.

BY MR. CHILD:

Q. How about getting 45 miles on a gallon of fuel oil, that is, using it in their engines?

A. The answer would be that the distributor



who sold that - -

Q. They can buy it for fuel oil.

A. From whom do they buy it?

Q. From the distributor.

A. A retail place of business?

Q. I do not know whether you would call it "wholesale" or "retail", but you can drive into any distributor and ask them for 45 gallons of fuel oil and there are no questions asked; they assume you are going to use it in your furnace.

A. You cannot conduct any good-sized operation on that basis.

Q. I do not know to what extent, but I know of at least one who has been doing it.

A. I know of situations where these deals are made with a fellow at one of the service stations. He simply does not report, and does not collect the tax. But eventually the State catches up with him and puts him out of business, or the State decides to go to the supplier system or the user system, by-passing the retailer.

In the special fuels situation, the weakness in collecting from a retailer lies in this, that the retailer is the person who determines whether something is going to be subject to tax or not. There is really





no appeal from his decision as to the contemplated use which would be the case if the decision were made by the Controller of Revenue. And, worse than that, there are not many people who know what the decision is, only the retailer and his customer.

That is the weakness of the system of collecting special fuels taxes through the retailer.

MR. GATHERCOLE: I suppose these States which impose a user tax would have a list of vehicles in categories, as to whether they were diesel or gasoline-powered trucks?

THE CHAIRMAN: That is right. In this instance, which Mr. Child mentioned, if a man with a diesel truck files a report of his mileage, showing he is getting 45 miles to the gallon, if you know how many miles he travelled, and how many gallons he used, it is easy to compute how much diesel fuel is being used.

MR. COLLINS (Secretary): It is becoming somewhat common.

MR. COOKE: There are two things I would like to say. It would create a great deal of difficulty to have the tax collected from the dealers because of their tremendous sales.

There is an arrangement with our Motor Vehicle





Branch whereby in regard to diesel fuel, and there is some arrangement in regard to infractions. They have a sort of a cross-check.

I know of one case where a fellow had a Mercedes-Benz, which he ran for about three months with diesel fuel, and they caught up with him, but the last they heard of him he had gone back to Germany.

THE WITNESS: Yes, you can catch up with them all right.

BY MR. AULD:

Q. We have field auditors who go around checking this. Under the law, you must have enforcement.

A. That is right. I do not see why retail stations should be selling this diesel fuel for non-highway purposes. Maybe they do.

In some States, officials became quite concerned with this matter and ruled that anything which goes into tanks which are connected with equipment suitable for dispensing fuel into a motor vehicle must be tax paid, because it may be assumed that at least 90 per cent of everything that goes out of the tank will be used to propel motor vehicles.

May I read something to you? As I have told you, one of our officials spoke with one of these



truckers, a big outfit in the United States. The discussion concerned the equipment he used to maintain his records. The trucking official was asked if we did away with the axle-mile tax, what effect it would have on record-keeping equipment and this is what he had to say:

"As of today, I could not dispense with any of the I.B.M. equipment, if no tax was levied. The basis of our requirement was and is to provide Interstate Commerce Commission information for management, policing and supervising of operations.

This Company had to accumulate records for the New York weight-distance tax, originally. The additional requirements for the Ohio tax did not add greatly to our burden. The axle-mile information can be processed at the same time as other information that is necessary for the proper management of the business."

Then, on the next page, it continues:

"Our trip reports (over-the-road) is made out in the despatcher's office, before the truck moves out. We have no compliance expenses chargeable to drivers. I can see a local driver's problem where the speedometer readings



are taken each day.

I am not 'for the tax', but let us be realistic. A case cannot be built up against us on compliance costs. Each tax should be considered on its merits. The real cost factor is the payment of the tax itself. Compliance costs cannot build up to any fantastic figure."

This man is "talking turkey" in regard to this business of administration.

It is so plain that in any well-run business, you must have records to know what you are doing, and it is a question of picking out some details, as far as tax reports are concerned.

I think anybody who has a considerable amount of capital invested in the trucking business and who is subject to the mileage tax will be taxed effectively. They are entitled to be assured that the people who may not have a great deal of money, but may have one or two trucks, are paying the same tax as they are.

The larger ones have to keep records, and you can check into their returns through their records, and through their reports to the Interstate Commerce Commission, and if they attempt to evade taxes, any discrepancies show up very easily and can be detected.





If you desire to, you can trace the movement of their vehicles every day in the year through employment records, despatcher reports and manifests.

The big truckers want to be sure that if you have a tax which involves cost of this kind, you enforce it on anybody who is subject to it.

I think that is a perfectly legitimate desire. If you have taxes of this kind, and merely receive the money sent in and do not enforce the tax effectively as to the 5 per cent, 10 per cent, or 15 per cent who do report and pay it accurately and promptly, then you have introduced a very important competitive factor into the motor transportation industry.

I think that in the case of any of these taxes whether on diesel fuel, liquified petroleum gas, or gasoline, or whatever it is, which comprises a large proportion of truck operating costs, that the State or province, or the Federal Government, owes it to the people who are paying it, to see that it is enforced against everybody just as effectively as possible.

BY MR. CHILD:

Q. There is one question which has to do with tolls again. I am thinking of the toll structure.

We are building, at the present time, a \$16 million or \$17 million bridge over a canal. There



is a bridge there at the present time, but it is not adequate to take care of the surge of traffic in the summer time, although it has been going on for twenty years or thirty years.

There was an accident to the bridge and it was knocked down, and there is a temporary bridge there, so the province is building a \$16 million or \$17 million bridge to facilitate traffic, as an expressway.

Would you consider that would be a good, logical place to toll, provided the other avenues of travel remained open?

Would you do a similar thing in the United States?

A. Yes, I would, even if there was no alternative to it.

Through a convenience like that -- and it is a real convenience -- as long as you have two of them there, you have a practical problem, whether the people will suffer some inconvenience rather than pay out additional money, or for convenience use the alternative toll route. Personally, I would pay the money.

Very many bridges are tolled. A number of new bridges built in the east are tolled.



Q. We have millions of American tourists going over the bridge, and perhaps we might sell for \$10.00 or \$20.00, an annual pass, to anybody registered in the province of Ontario, enabling them to use the bridge at any time; do you think the Americans would interpret that as discrimination against them?

A. I do not think so. New York does the same thing on its Thurway. I am not just sure of the amount, but I think that for about \$20.00, you can buy a permit, if you are a State resident, and registered in New York at the present time -- for \$20.00, you can secure a permit and use it as you please all year. Otherwise, I think it costs about \$5.00 for one trip.

BY MR. ROOT:

Q. I am holding no brief for the big truckers, but I am interested in this weight-mile tax.

From the discussions, I take it that the main reason the third-structure tax was started in the States was because of this interstate traffic?

A. No, I would not put it that way. I would put it this way: Perhaps the main reason why it was started there was to secure a better distribution amongst all the elements which compose the motor vehicle industry in the States.





I think the reason that today the tax is receiving so much prominence has been because of this interstate problem, since it is a particularly good method for dealing with the interstate problem.

I think probably there was talk of the ton-mile or the weight-distance taxes in the States a long while before we really had any interstate problem. I may not be right about that, but I think the first talk about the ton-mile tax was engendered by the railroads years ago.

Q. Another question: do you think Oregon has done the best job, from the point of view of equity?

We find that our province has approximately three and one-half times the area, with approximately the same number of trucks. Do you think it would be practical, from an administrative cost standpoint, to put that type of tax structure on in Ontario, and try to enforce it equitably?

A. From the standpoint of administration, I would say it can be done.

Q. Would it be economically sound? We have an area here three and one-half times the area of Oregon, with the same number of trucks. Can we arrive at a point reasonably equitable under our present tax structure, by adjusting our rates, and





perhaps imposing an extra tax on fuel which has more heat units than gasoline?

A. I will answer both questions in the affirmative. I think it would be feasible to administer a weight-distance tax in the province of Ontario similar to that in the State of Oregon. I think the difference in distances would not be a great factor.

I hold this opinion very strongly, that the question of administration alone is not sufficient basis to decide what you want to do. I think, from the administrative standpoint, you could effectively administer a mileage tax. I think you can probably, with an appropriate series of gradations, secure a reasonable degree of equity from a series of flat fees.

I think you can handle the passenger car situation all right as against trucks, and the light trucks as against the heavy, but I think you might still have remaining, amongst the heavy trucks, some problem, due to the fact that there is a great difference in the mileages operated.

But insofar as there are a great many elements in the trucking industry, if everything else is worked out, I do not see why the latter could not be a feasible solution.

Q. One more question on this matter of equity --



A. You say you are not concerned about trucks coming from Quebec into Ontario, or going from Ontario into Manitoba, or into the United States?

Q. It is not the problem I think it is in the States.

MR. MacDONALD: I would like to make this comment. I think, in our early, tentative conclusions, we have been led to believe on the basis of the evidence which has come to us, that the administration of this tax is so difficult that we are foolish to walk into this situation. Mr. Conlon, who has been "waiting it out" in connection with the people who deal with it, has come to a different conclusion. He assumes apparently that you can administer this tax, and it is often done, but we have been told we should not attempt to administer it.

Another thing about which I wanted to ask, and which is really the thing which has puzzled me a bit is that the amount of revenue raised by these third-structure taxes is relatively small.

THE WITNESS: Sure.

BY MR. MacDONALD:

Q. You say "sure"; is that inevitable?

A. You are dealing with a relatively small motor-vehicle population.



Q. One of the things which would come into our minds is that the revenue you secure was relatively small, as compared with the "headaches" of the administration.

MR. COLLINS (Secretary): There is part of this question upon which I would like to comment. I am thinking in terms of the user charges we have levied on our passenger vehicles. It is possible for passenger cars in Ontario to be licensed at an annual fee of \$10.00, which he pays beyond the 11 cents per gallon gasoline tax. Would you care to give an opinion as to what you think of that basis?

THE WITNESS: I think it is very low, especially as to vehicles which are in cities and metropolitan areas, such as Toronto.

When you consider the cost of providing highway facilities, and the question of what you have to have in the cities now -- I am speaking of the storage problem -- I think there is a question, in the long run, as to how you should tax passenger cars.

You have people coming to work in passenger vehicles. They are abandoning the use of the public mass-transportation system. You have a substantial movement into and out of the cities in private vehicles. With industry decentralizing, you find people living







outside the city who are working in the city, or living in the city and working outside, and you have to provide a variety of auxiliary facilities -- police forces, downtown parking lots and so forth. I hope I do not shock you when I say that, in my opinion, under these conditions, private motor vehicles are paying very little tax actually, as compared to the costs they occasion.

Individually, private motor cars do not seem to occasion major costs, but when you lump this tremendous movement into one area, the costs associated therewith multiply manyfold.

It is a matter of common sense. Let me put this to you along the lines I was talking to Mr. Clarke about today.

We have a motor vehicle situation in Cook County in Illinois somewhat similar to your situation here. Now, in Chicago, in Cook County, you are paying, say, \$10.50 license fee to the State and a \$15.00 fee to the city, and a gasoline tax of 5 cents a gallon. If you drive your car, say, 10,000 miles, and use 600 gallons of gasoline, you are paying a total of about \$55.50 to the city and State in gasoline and license taxes per year.

Now, what do you get for this? You have very



expensive, high-cost boulevards which must be made available, and must continue to be made available to move the traffic generated in such a metropolitan area.

For instance, the Congress Street boulevard in Chicago -- not yet finished -- is just about an indispensable facility, but the cost per mile to construct this freeway through a built-up area is staggering. All right. You pay \$55.50 in highway user taxes. Did you ever stop to consider what you pay for non-highway user charges? For instance, you annually pay \$100.00 for insurance on your automobile, maybe even more. You probably will have to pay \$20.00 monthly as a minimum, to garage your car in an unheated garage. That amounts to \$240.00 a year.

Your depreciation does not really concern you, but in a single year it might amount to several hundred dollars. Actually you pay without question hundreds of dollars per year in non-highway related to your car compared to \$55. per year in highway user fees. Your automobile would not be of any use to you if it were not for these road facilities provided by the State, county and municipal authorities with just \$55. per vehicle. And yet, if you were to suggest tomorrow that the gasoline tax be raised by another five cents per gallon to finance just the necessary facilities

one to 1000 for each cell. Some are

... and they at once signed a "No War"

which would amount to perhaps another \$30.00 per year, the roof would probably blow off of the State House. Now, this is the way the situation appears to me.

You are willing to pay several hundred dollars for these auxiliary and incidental costs for the use of your automobile, but unwilling to pay anything like that for the facilities without which your automobile would be of no use to you at all. Of course, I too may "squawk" about paying another \$30.00 a year. I suppose that is but natural. Nevertheless, I think it is inevitable.

It seems to me, in the field of motor vehicles as a whole -- and when you are speaking of motor vehicles as a whole, you include passenger cars, which comprise the greater proportion of all motor vehicles -- I think there will have to be much higher charges assessed them than are in effect now.

I hold that opinion that especially in the large centres of population -- Toronto, Montreal, Quebec, Chicago, Los Angeles, San Francisco, and right down to the medium-sized metropolitan areas with 200,000 or 300,000 people -- motor vehicle fees on the whole are inadequate.

That is really not part of your problem, but I think it is much more important --





BY MR. MacDONALD:

Q. There is a difference in Canada, where the Federal government does not "kick back" any amount to provide these facilities, whereas, in the United States, they do.

A. Yes, the Federal contributes in a package to the costs for maintaining motor vehicle facilities today, but it is mostly concerned with the connecting links between State highways, from one end of the country to the other, whereas I am speaking particularly of the day-to-day operation of a car by people in large centres.

BY MR. ROOT:

Q. I agree with everything you have said, and I think we all realize that we want more revenue, but we want the other fellows to pay it.

The problem which is not clear in my mind -- and I wonder if you took it into consideration as applied to heavy trucks -- is; here we put the heavy trucks off the road one day in seven, and we prohibit them from driving on almost all of our streets in the cities and villages, and we restrict them to second-class roads, with their weight restrictions in regard to bridges and so forth, and on many of the roads, they are restricted to half-loads at certain seasons of





the year.

If the revenue contributed by heavy trucks is over \$500.00, for licenses and gasoline tax, and then perhaps the P.C.V., if that amount were put on the roads which the trucks were permitted to use, and in relation to the use they can make of the other roads which are being used, is there not an inequity there in favour of the lighter vehicles, as against the heavier ones?

Have you made any studies along that line in the United States?

A. As far as I know, no. I think what you say has a great deal of bearing on the allocation of costs between the various types of users, but once you have allocated those costs, it still would be feasible to add a weight-distance tax of some kind, to collect from the heavier trucks the proportion for which they are responsible.

I think the point you raise is very important, but I do not feel it would affect the use of the weight-distance tax in collecting from the heavier vehicles --

Q. You are not suggesting that the revenue the heavy vehicles contribute should be used to build roads they are prohibited from using?

A. That is so to a very limited extent in the



United States. There are a few States where particular bridges cannot be used by the trucks weighing over 20,000 pounds, and no allowance is made for that in the tax.

But I think, as to the allocation of costs, if these restrictions are widespread, they should be taken into consideration.

BY MR. CHILD:

Q. Do you drive trucks there on Sundays?

A. Yes.

Q. Are they not prohibited from running one day out of seven?

A. No, we have nothing like that.

BY MR. MacDONALD:

Q. You build your roads for the big loads, and that is contributed to, to a very great extent, by the trucks?

A. We build most of our roads for the peak loads, but to average out the peak load, is almost impossible.

BY MR. AULD:

Q. There are a great many firms which pay taxes, which cannot operate on Sundays?

MR. COOKE: I was going to make a point just there. What we are really concerned with is the use, the total miles they make on the roads. For example,



passenger cars which are mostly concentrated in the southern part of the province, it is true, in a year, will only use a fraction of the total mileage.

MR. AULD: By the same token, not only the revenue, but if we consider the figure of the amount the roads are used, and we did not have the revenue to keep them up, many roads in this province would not exist.

MR. ROOT: An automobile takes twenty-five feet of space on the highways, and only pays a license fee of \$10.00 or so, in comparison with a truck which takes up fifty feet of space and pays \$500.00. Is that justice?

MR. AULD: There is more than the space taken up, to determine the type of roads we have to build.

MR. ROOT: I was wondering if you had thought what would be the position in regard to equity, if the revenue the heavy trucks contribute was used to build the roads they are not permitted to use.

THE CHAIRMAN: Then you immediately get into another inequity. You are illustrating your inequity by saying they are prohibited by law from using certain roads. What about the one who does not ride on the road from choice?





I may operate -- as I do -- my own private car, mainly within the confines of the city of London, because I prefer to take the train if I leave the city, and I also have a pass. There are no routes I am prohibited from using in running my car on the highway, but I do not choose to do it.

Are you going to say that there is inequity, as far as that is concerned? As far as I am concerned, I am still paying the same gasoline tax.

I think perhaps I use more gas running around in second gear, than I would use on the highway.

MR. MacDONALD: I am certain the passenger cars use a less proportion of the roads than the average truck, because the trucks are moving at practically all times, whereas the passenger cars spend a great deal of time not moving at all.

THE CHAIRMAN: I would say, if we went through the record, we would find this argument repeated at least fifteen times.

MR. CHILD: Would not a toll road be generally accepted as a more equitable means of taxation? If you use the toll road, you would pay for it, and if you do not, you would not. The trucks would pay a larger proportion, because the fees are higher.



THE CHAIRMAN: These are certainly loaded questions.

THE WITNESS: I will state my answer in this way, that a toll road is a very expensive proposition, and is applied to people who are actually using it, without any regard for its place in the whole highway system. If you apply that principle up and down the line, what would happen would be that you would have very few roads in the state or province.

You are really touching on the same question which was brought up this morning, where motor-fuel tax revenues are generated, to a large extent, in the centres of population, but used, in large part, outside them, because it is in the public interest to have highways all over the province or state, as the case may be.

If you try to put everything on a strictly metered basis, I think it will mean that you are providing adequate roads for a relatively small few people.

Obviously, you cannot build a toll road where the traffic density is as light as it is in the country.

BY MR. CHILD:

Q. A local road would need the same superior



quality as a toll road?

A. We can build many roads out of current revenue, but today the people are beginning to take to the superhighways. To raise the toll revenue to build the superhighways which they are requesting, it is necessary to confine them to areas where there is a sufficient density of traffic, that is, sufficient people who use these highways and who will pay for them. Those who are willing to continue to use the lower-standard roads, would pay only the gasoline tax rate for those facilities.

THE CHAIRMAN: I think there is a great misconception about these four-lane highways. You use the word "superhighway", and you say the public demands them. I do not agree with that.

I think a four-lane highway is the only highway which can be built for the amount of traffic we have at the present time. The roads have risen since into the realm of "superhighways".

To build anything but "superhighways" would just not be good, practical sense. They are not "superhighways" any more. They are the only highways we can build to handle the traffic.

MR. CHILD: They are "super" over the roads we built in the past.



THE CHAIRMAN: That may be, but I believe you can make better time by using an adjoining road, rather than riding on the Queen Elizabeth. The Queen Elizabeth is a four-lane highway, and the adjoining road may be only two lanes. If you want to make a trip across the country, from one point to another, I think you are better off on a lower-grade road than on what we call the "superhighways".

I suggest we adjourn. (Agreed to).

---The witness retired.

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---Whereupon at 5:01 o'clock p.m., the further proceedings of this Committee adjourned sine die.

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